

# DAILY REPORT

## CONTENTS

*China*

Vol I No 080

25 April 1986

### PRC INTERNATIONAL AFFAIRS

#### GENERAL

Italian Daily Interviews Vice-Premier Qiao Shi [AVANTI! 22 Apr]	A 1
UNWFP To Deliver 350,000 Tons in Food Aid [CHINA DAILY 24 Apr]	A 2
Time 'Ripe' for Honecker Visit to Bonn	A 2
USSR Calls for Cooperation Through ESCAP	A 3

#### UNITED STATES

U.S. Symposium Discusses Investment in PRC	B 1
Newspaper Reviews Philip Habib's Political Career [ZHONGGUO QINGNIAN BAO 19 Apr]	B 1
Reagan on Military Action Against Libya, Syria	B 2

#### NORTHEAST ASIA

DPRK Appeals for Resumption of Dialogue	D 1
DPRK Army Day Marked at Embassy Reception	D 1
Deng Liqun Meets DPRK Publishing Group	D 1

#### MIDDLE EAST & AFRICA

Hu Yaobang Criticizes U.S. Bias Toward Israel	I 1
Zhang Jingfu Received by Iraqi Deputy Premier	I 1
GCC States Suffering 'Severe Recession'	I 2
Japan Studying Participation in SDI Research	I 3

#### WESTERN HEMISPHERE

Reportage on Visit of Surinamese Foreign Minister	J 1
Briefed by Wang Hanbin	J 1
Wu Xueqian Praises Prospects	J 1
Meets With Wan Li	J 1
Signs Economic Agreement	J 2
Leaves for Home	J 2
Yao Yilin Meets Former Argentine President	J 2
Vice Premier Yao Yilin Meets Canadian Visitors	J 2
Chinese Exploring New Socialist Economic Models	J 2
Trade Deficit With Brazil To Continue To Increase [CHINA DAILY 23 Apr]	J 3

## PRC NATIONAL AFFAIRS

Chen Pixian Report on NPC Committee Work	K 1
RENMIN RIBAO Commentator on Crime in Postal Work [21 Apr]	K 14
RENMIN RIBAO Stresses Horizontal Economic Ties [18 Apr]	K 16
Article Discusses Macroeconomic Control Targets [RENMIN RIBAO 14 Apr]	K 18
RENMIN RIBAO on Macroeconomic Management [18 Apr]	K 24
Officials To Get Modern Agricultural Training	K 27
Zhao Ziyang Visits Shanghai Plants, Science Unit	K 27

## PRC REGIONAL AFFAIRS

## EAST REGION

Fujian Official Punished for Abusing Authority	O 1
Jiangxi Deputy Secretary on Party Rectification	O 1
Rui Xingwen Attends Shanghai CPPCC Meeting	O 2
Shanghai Launches Grass Roots Party Rectification [JIEFANG RIBAO 18 Apr]	O 2

## NORTHEAST REGION

Heilongjiang Relaxes Economic Cooperation Policies	S 1
Liaoning: Dalian CPC Notes Serious Economic Crime	S 1
Northeast Economic Zone Holds Joint Conference	S 2

## NORTHWEST REGION

Qinghai People's Congress Session Opens 23 Apr	T 1
Shaanxi: Examining Cadres Political Qualities Urged	T 1
Shaanxi Defense Industry Production To Be Shifted	T 2

## HONG KONG MEDIA ON CHINA

TA KUNG PAO Analyzes Results of U.S. Raid on Libya [24-30 Apr]	W 1
WEN WEI PO Reports Tang Wensheng's New Post [24 Apr]	W 2
Personnel Changes in Beijing Press Circles Viewed [KUANG CHIAO CHING No 163, 16 Apr]	W 3
Part I: Foreign Trade, Investment Policy Detailed [WEN WEI PO 17 Apr]	W 6
PLA To Adopt Western-Style Military Uniforms [WEN WEI PO 22 Apr]	W 10

ITALIAN DAILY INTERVIEWS VICE-PREMIER GIAO SHI

PM241412 Rome AVANTI! in Italian 22 Apr 86 pp 1-2

[Interview with PRC Vice Premier Gao Shi by F. Gozzano, G. Salmone in Rome; date not given]

[Excerpt] [Journalist] What is the PRC'S appraisal of the international situation?

[Gao] The current international situation remains worrying. There are still elements which could spark a world conflict, which stem from the hegemonic dispute between the two superpowers, and toward which we must be vigilant. It is a positive and noteworthy fact that an increasing number of countries and their peoples are displaying their determination to be masters of their own destiny, that they are not subordinate to the superpowers, and that they are imparting an impetus to peace and the world's development by means of various initiatives. The increase in the elements of peace is greater than that of elements of war. We are convinced that world peace can be safeguarded and that its future can be bright thanks to the joint efforts of the peoples and the peace-loving forces.

[Journalist] What is the PRC'S position regarding the disarmament proposals made by the United States and the USSR?

[Gao] The United States and the USSR have put forward some new disarmament proposals but the two sides' positions on the major issues in this regard are still very divergent. We hope that they will responsibly conduct negotiations that will constitute a step forward. We take account of all proposals really in favor of detente. Disarmament cannot be an exclusive concern of certain powers, on the basis of the hope of a positive outcome to the U.S.-USSR negotiations: It is too important and affects the security of all the world's peoples. There must therefore be a right to equality and everyone must take part in the debate on disarmament in order to find a solution. For our part, we intend to pursue the constant endeavor, together with other countries, to advance a process of genuine disarmament.

[Journalist] Is the PRC willing to accept a ban on nuclear tests, on certain conditions?

[Gao] The purpose of China's very limited nuclear strength is in fact defense. From the day China began deploying nuclear weapons we explicitly pledged not to use them first under any circumstances. China has carried out no nuclear tests in the atmosphere for many years; and we will not carry them out in future, either. We maintain that nuclear weapons should be totally prohibited and banned forever. At present the United States and the USSR possess the largest nuclear arsenals and they must be the first to ban testing, manufacture, and deployment, introducing a moratorium and pledging to ban every kind of nuclear weapon. This would make it possible to create positive conditions for convening an international conference involving all countries possessing a nuclear strength, with a view to promoting the disarmament process and the total banning of nuclear weapons.

[Journalist] What is the PRC'S assessment of its relations with Italy?

[Gao] The relations of friendship and cooperation between China and Italy have developed and become consolidated over the years thanks to joint efforts. There has been an increasing growth of exchange and cooperation between the two countries in the economic, commercial, technological, and other fields. We are still persevering with our open-door policy toward the outside world. We want to extend and develop cooperation and trade with Italy in all fields, on the basis of equality and mutual benefit. It is very important that both countries are working to safeguard world peace, have convergent or similar viewpoints on several major international issues, and are developing major cooperation in several fields. I am convinced that the relations of cooperation and friendship between the two countries will become increasingly close.

UNWFP TO DELIVER 350,000 TONS IN FOOD AID

HK241001 Beijing CHINA DAILY in English 24 Apr 86 p 1

[By Staff reporter Xu Yuanchao]

[Text] The United Nations World Food Programme [WFP] is expected to deliver around 350,000 tons of food to China, James Ingram, executive director of WFP, said at a press conference yesterday. Ingram said China is one of the largest recipients of food aid for development. The country's per capita consumption of cereals is 400 kilograms, one of the lowest in the world.

"There are 100 million people who are not able to earn a lot of money to feed themselves and clothe themselves. These people have per capita income of less than 120 yuan and less than 200 kilograms of grain per capita," he said. The food aid is to not only help improve poor people's nutrition but also to use the food as an incentive to the beneficiaries to engage in productive work.

"China is making very good use of WFP food aid," he said. The WFP's evaluation shows that China's development objectives are obtained and projects there have operated efficiently and effectively. Chinese agricultural official said although the State's policy has greatly boosted agricultural production in recent years, China is still not a net exporter of cereals.

Li Jinhua, spokesman of the Ministry of Agriculture, Animal Husbandry and Fishery, told CHINA DAILY that China exports an average of 6-7 million tons of soybeans and corn annually and imports the same amount of wheat. The imports and exports are aimed at regulating food varieties. Total grain output last year dropped by 28 million tons because of unexpected natural disasters. He admitted China's ability to cope with natural disasters was still weak.

TIME 'RIPE' FOR HONECKER VISIT TO BONN

OW231650 Beijing XINHUA in English 1523 GMT 23 Apr 86

["Roundup: Time for Honecker's Bonn Visit? (by Xia Zhimian)" -- XINHUA headline]

[Text] Bonn, April 22 (XINHUA) -- The long expected Bonn visit by Democratic German Leader Erich Honecker is a frequent topic in the newspapers here, which always pay much attention to the relations between two Germanys. Despite the fact that Honecker has canceled his planned visit to Bonn more than once, the latest developments show that the time for Honecker's visit is ripe.

On April 2, Horst Sindermann, president of the People's Chamber of Democratic Germany, told reporters in Berlin that it would be "possible" for Honecker to make a trip to Bonn in the first half of this year after the April congress of the German Socialist Unity Party. After that, Socialist Unity Party Politburo Member Guenter Mittag paid a visit to Federal Germany on April 9-10. During his stay in Bonn, Mittag met with Federal President Richard von Weizaecker, Chancellor Helmut Kohl and Economics Minister Martin Bangemann. Wolfgang Schaeuble, the federal chancellor's office director, also estimated that Honecker would come to Bonn in the first half of this year. He revealed that Mittag had promised to discuss with Bonn Honecker's visit after the party's congress. In fact, relations between the two Germanys have been improved since relations between the two superpowers thawed last year, which was highlighted by the Geneva summit meeting of U.S. President Ronald Reagan and Soviet leader Mikhail Gorbachev last November.



A series of high-level visits have since been exchanged. Among Democratic Germany's high officials who came to Bonn during the first four months of this year were three party politburo members, including Sindermann.

The trade volume between Bonn and Berlin scored a record 17 billion marks (about 7.82 billion U.S. dollars) last year. A cultural accord that has been under negotiation for about a dozen years is expected to be signed next month. Progress is also made in the talks on an environmental agreement, which some Bonn officials said might be signed within this year.

In an interview with the Federal German magazine "DIE ZEIT" in January, Honecker stressed that they should make "a good use" of the results of the U.S.-Soviet summit. He admitted that there were many possibilities that should have been made use of in developing the "political relations between two Germanys." Analysts believe that his visit to Bonn in the near future would be a logical result of the ideas expressed in these remarks.

The just-concluded party congress in Berlin affirmed what Democratic Germany had achieved under the leadership of Honecker and reelected him leader of the party. This is regarded by the press here as a factor favorable to Honecker's Bonn trip. Nevertheless, the visit to Bonn by the leader of Democratic Germany does not merely hinge on the mutual needs of the two countries. It is also decided by the evolution of the international situation as a whole. Honecker's visit to Bonn scheduled for September 1984 was canceled as a result of the changes in the international situation.

The recent U.S. airstrikes against Libya have increased tension in U.S.-Soviet relations although both Reagan and Gorbachev have expressed willingness to meet again this year.

A visit by the top leader from Berlin might be beneficial to the conservative cabinet headed by Kohl who will run in the general elections next January. All these developments might have influence on the schedule of Honecker's Bonn trip.

#### USSR CALLS FOR COOPERATION THROUGH ESCAP

Beijing XINHUA in English 1849 GMT 23 Apr 86

[Text] Moscow, April 23 (XINHUA) -- The Soviet Government today proposed long-term cooperation with states of the Asian and Pacific regions while criticizing the United States and its allies for staging confrontation in the area. The government statement, distributed by the official news agency TASS, said Moscow is "proposing to start a wide exchange of views between all interested countries of that part of the world" on cooperation in trade, economic matters, science and culture. Such cooperation "will promote a restructuring of international relations on an equitable, democratic basis," the statement said. It could include cooperation in developing new energy sources, improving transport and communications, protecting the environment and a host of other areas.

The statement said preliminary work for such cooperation could be conducted through the United Nations Economic and Social Commission for Asia and the Pacific. It denounced some "political circles" in the United States and Japan which see the area as a confrontational zone and attempt to form a "Pacific community." Such a coalition, the statement said, can possibly be transformed into a closed regional military grouping.

U.S. SYMPOSIUM DISCUSSES INVESTMENT IN PRC

OW241056 Beijing XINHUA in English 1046 GMT 24 Apr 86

[Text] New York, April 23 (XINHUA) -- The general state of U.S.-China economic relations is "better today than any time since 1979," said Christopher Phillips, president of the National Council for U.S.-China Trade, here today. Addressing a symposium on exploring and expanding the opportunities for American businesses in China, Phillips said today the United States is China's third largest trading partner, with a turnover amounting to about 12 percent of China's total trade in 1985. "Looking ahead, prospects for expanding business in China are encouraging, because the United States could supply advanced technology and equipment to those sectors which China has designated as high priority in their economic development." Referring to the worry about the investment climate and the recent tightening control of foreign currency in China, he said, "It is important not to overreact to these developments."

Phillips told the symposium attended by over 200 American business leaders that China is passing through a period of transition and it has made it clear that it does not intend to cut back on those imports of technology and equipment considered essential to its modernization program. He said the problems also come from the American side, mainly the growth of unconstrained protectionism and export controls. "Despite recent changes in U.S. export control regulations, as they affect China, both U.S. companies and Chinese buyers still complain about long delays in granting of export license." He also complained of the unavailability of concessionary financing for American companies from the U.S. Government, which has shut American firms "out of most business opportunities in China." Talking about the future, Mr Phillips said optimism is shared by an increasing number of American companies which have made strategic long-term commitment to the China Market.

NEWSPAPER REVIEWS PHILIP HABIB'S POLITICAL CAREER

HK240249 Beijing ZHONGGUO QINGNIAN BAO in Chinese 19 Apr 86 p 3

["Man in the News" by Xu Jingjing "Philip Habib, U.S. 'Global Envoy'" -- capitalized passages published in boldface]

[Text] Whenever an "explosive" situation emerges in any world hot spot, Philip Habib is always dispatched to that place. Not long ago, after the deadlock in the Philippine general election eased, the "trouble shooter" again received instructions to go to Central America to start another difficult round of shuttle diplomacy.

"FIRST-RATE PERFORMANCE" ON THE MIDDLE EAST STAGE

It is still remembered that in 1981, using the Syrian deployment of Soviet-made guided missiles in northern Lebanon as an excuse, Israel threatened militarily Lebanon so that the Middle East was faced with the fearful prospect of becoming entangled in a war. At that time in his capacity as President, Ronald Reagan asked Philip Habib, al, a diplomat who had retired twice because of heart attacks, to take up the post of Middle East special envoy and to mediate between the two parties. At that time many people did not entertain any prospects for his success. However, by virtue of his outstanding diplomatic stratagems and "miraculous efforts," Habib succeeded in relaxing the situation whereby the "triggers have been cocked and preparations have been made to open fire." In June 1982, the crisis again broke out with the Israeli invasion of Lebanon. Habib shuttled back and forth scores of times among the capitals of the Middle East countries and attended an endless series of secret meetings. Eleven weeks later, he finally succeeded in putting out the flames of war temporarily. For this reason, President Reagan presented him with a Freedom Medal, the highest honor awarded to nonmilitary personnel in the United States.

## THE "SECRET" OF HIS SUCCESSFUL MEDIATION

Habib's talent does not lie in guiding the development of the situation in order to seek a solution, but in coordinating the conflicting parties and guiding them patiently and by roundabout routes. In the course of negotiations, he first listens patiently to the views of other people and promptly and accurately transmits information from various parties, and then sets forth his proposals according to the circumstances.

Habib is good at assessing the mood of the other party and removes tense feelings with his sense of humor. He grew up in a Jewish residential area in Brooklyn, New York. His father was a Lebanese American. When he held talks with the Israelis, he jokingly said: "I had been a Zionist before I knew what Zionism meant." And, when he met with Lebanese representatives, he often slipped into his conversation, a few Arab curses which he had learned as a child, in order to please the Lebanese representatives.

As a mediator in a difficult situation, Habib often attains his success by dint of his indomitable will. During the Beirut negotiations, he often had to be woken up whenever a new crisis emerged. Sometimes he stood simply in his underpants, dictating cables to Washington while eating sandwiches.

He keeps his mouth shut about his work. Whenever reporters press him on any new progress in the negotiations, he invariably replies: "Sorry, this is a dumb show." -- you figure it yourselves! [punctuation as published]

## SPENDING MOST OF HIS DIPLOMATIC CAREER IN COUNTRIES WHERE DISPUTES OCCURRED

Habib's superb diplomatic stratagem is inseparable from his previous extraordinary experiences. At the age of 22 he received a Master's Degree at Idaho University and in 1949 he joined the diplomatic service. In 1952 he received a PHD at Berkeley University. He spent most of his diplomatic career in countries where disputes occurred. In the 1960's he was a government affairs attache in the U.S. Embassies in South Korea and South Vietnam. During the Paris talks to solve the Vietnam issue, he was an important member of the U.S. delegation and was once acting head of the delegation. When Richard Nixon opened U.S. relations with China, Habib was an important member of the policy-making body. He visited China with Henry Kissinger and Gerald Ford on two occasions. After Jimmy Carter took office, he was appointed Under Secretary for Political Affairs and tried to mediate privately for a thaw in U.S. relations with Cuba. Suffering a heart attack in 1978, he retired from the government service and worked as a senior research fellow at the Harvard Institute. In 1979, at the request of Secretary of State Cyrus Vance, he worked as a government senior policy adviser. In 1980 he again retired because of illness. One year later he was reappointed by Reagan.

REAGAN ON MILITARY ACTION AGAINST LIBYA, SYRIA

OW241124 Beijing XINHUA in English 1117 GMT 24 Apr 86

[Text] Washington, April 23 (XINHUA) -- U.S. President Ronald Reagan today threatened to take military actions against Iran and Syria if there was "irrefutable evidence" that the two countries were involved in terrorist activities. Reagan made the threat during an interview with a small group of journalists at the White House. Asked whether he would order attacks similar to those against Libya last week on the capitals of Iran and Syria, Reagan replied, "Yes, if we had that kind of evidence." "If we have irrefutable evidence, I think we should do that. We must have the same policy" against terrorism regardless of which state sponsors it." However, he said that "it is much more difficult to trace to the source of terrorism sponsored by others than it is by Libya." He also noted that "state sponsored terrorism is a form of warfare and you just can't sit by and let somebody else declare war on you and pretend that you're still at peace."



DPRK APPEALS FOR RESUMPTION OF DIALOGUE

OW242024 Beijing XINHUA in English 1513 GMT 24 Apr 86

[Text] Pyongyang, April 24 (XINHUA) -- The Democratic People's Republic of Korea (DPRK) called today on South Korea to help create the proper atmosphere for the resumption of the three-channel North-South talks suspended since the U.S.-South Korean war games started in early February. The KOREAN CENTRAL NEWS AGENCY (KCNA) said in a dispatch that the appeal was issued in a joint statement by the DPRK delegations to economic, Red Cross and parliamentary talks between Pyongyang and Seoul.

The statement again accused South Korea of "intensifying day by day their war moves against the dialogue partner," saying that Seoul is "indifferent to the resumption of the dialogues at present." The South Korean authorities "must make it plain whether they truly want to have dialogues for reconciliation and unity, peace and reunification desired by the whole nation or to go along the road of confrontation, war and division (by) continuing such provocative military maneuvers as Team Spirit," the statement added.

DPRK ARMY DAY MARKED AT EMBASSY RECEPTION

OW241242 Beijing XINHUA in English 1226 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Major General Chong To-chol, military, naval and air attache of the embassy of the Democratic People's Republic of Korea, gave a reception at the embassy in celebration of the 54th anniversary of the founding of the Korean People's Army here today. Among the guests present were Yang Dezhi, chief of the general staff of the Chinese People's Liberation Army, and some other high-ranking military officers. Military attaches of other countries' embassies in Beijing also attend the reception.

DENG LIQUN MEETS DPRK PUBLISHING GROUP

OW241221 Beijing XINHUA in English 1216 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Deng Liqun, member of the Secretariat of the Chinese Communist Party Central Committee, met here today a delegation from the Korean foreign languages publishing house led by Deputy Director Han Pong-Chan. The delegation arrived here Sunday for a visit in line with the 1985-1986 cultural exchange plan between China and the Democratic People's Republic of Korea.



HU YAOBANG CRITICIZES U.S. BIAS TOWARD ISRAEL

OW241524 Beijing XINHUA in English 1504 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Communist Party of China (CPC) General Secretary Hu Yaobang today reiterated China's condemnation of Israel's aggression and expansionism. During a meeting here with Faruk Qaddumi, member of the executive committee of the Palestine Liberation Organization (PLO), Hu criticised the United States for its bias toward Israel and ignoring the reasonable demand of the Palestinians.

"Over the past 20 years, the just struggle of the Palestinians has won worldwide support and sympathy," which, he described as a "heroic chapter in the 20th century history of national and people's struggles." He added, "The Chinese people will stand by the Palestinians till their final victory, resolutely support the PLO, the only legitimate representative of the Palestinians, and firmly demand the restoration of all their legitimate rights."

In reply, Qaddumi said that PLO Chairman Yasir 'Arafat and other leaders, as well as the Palestinian people themselves, highly appreciate China's consistent stand concerning the Palestine issue. Qaddumi denounced the United States and Israel for pushing aside the continued peace efforts of the PLO and Arab countries for solving the Middle-East and Palestine questions. He said that Israel is continuing its expansionist and racist policy. "What it is doing is in fact pursuing a power policy aimed at annexing the West Bank of the Jordan River step by step to Judaize it," he pointed out. At the same time, he said, Israel still occupies part of the territory of Lebanon and the United States, ignoring United Nations resolutions, is backing Israel in what it is doing. He emphasized that the Palestinian people will persist in their struggle, and the PLO will continue its efforts to strengthen the unity of Arab countries. He added that he hoped that an Arab summit would be convened as soon as possible.

Chinese Foreign Minister Wu Xueqian was present on the occasion. The PLO delegation led by Qaddumi will leave here tomorrow.

ZHANG JINGFU RECEIVED BY IRAQI DEPUTY PREMIER

OW250442 Beijing XINHUA in English 0244 GMT 25 Apr 86

[Text] Baghdad, April 24 (XINHUA) -- Iraqi First Deputy Premier Taha Yasin Ramadan conferred today with visiting Chinese State Councillor Zhang Jingfu on further development of the friendly and cooperative relations in all fields between the two countries, especially in the economic and trade relations.

They considered that there exist broad prospects in cooperation between the two countries and hoped that the two countries will take measures to promote the cooperation both in range and depth and to increase the exchange of visits of the leaders of the two countries at all levels as well as non-governmental contact.

Iraqi Deputy Premier and Minister of Foreign Affairs Tariq 'Aziz also met here today with Zhang Jingfu and they had a friendly discussion on bilateral relations and international issues of common interest. Ambassador Zhang Junhua tonight gave a banquet on the occasion of the visit to Iraq by State Councillor Zhang Jingfu. Iraqi Minister of Trade Hassan 'Ali and other Iraqi friends attended the banquet.

GCC STATES SUFFERING 'SEVERE RECESSION'

OW231956 Beijing XINHUA in English 1932 GMT 23 Apr 86

["GCC States Tighten Their Belts To Cope With Economic Recession (by Huang Jianming)"  
-- XINHUA headline]

[Text] Kuwait, April 23 (XINHUA) -- The six Gulf Cooperation Council (GCC) states are tightening their belts to cope with the severe recession plaguing their economies since 1982. A combination of factors, including regional hostilities, depressed oil markets and prices, declining global interest rates and the devaluation of the U.S. dollar, to which Gulf currencies are closely linked, has given a heavy pounding to the economies of the GCC states, according to the recently-released 1985 annual report of the National Bank of Kuwait.

A prominent Kuwaiti economist Jassem al Sa'adoon [spelling as received] predicted recently that the six GCC states -- Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman -- could lose up to 60 billion U.S. dollars this year as a result of the current drop in oil prices and the depressed value of the U.S. dollar. The substantial current accounts surpluses of the booming decade of 1974-1982 are fast disappearing. Although most states still had a positive surplus, Saudi Arabia posted a 13 billion dollar deficit in 1984. The budgets of the Gulf states, which showed a 13 billion dollars surplus in 1982, posted a 10.4 billion dollar deficit in 1984. The deficit is expected to be even higher in the current fiscal year. The GCC states had to borrow about 17 billion dollars from their foreign reserves last year to finance part of their current account deficit.

The new economic realities have prompted harsh cutbacks in all the Gulf countries. Non-urgent infrastructural and industrial projects have been suspended.

In Kuwait, following official announcement of a 25 percent cut in the budget for the next fiscal year and a 15 percent reduction in the current fiscal year's public expenditures, the government cancelled several entertainment and luxury projects, imposed new taxes and raised the cost of public utilities like electricity to raise domestic revenues. A new employment policy aimed at reducing foreign workers will soon be put into effect.

To maintain OPEC's unity and market share, Saudi Arabia, the world's largest oil exporter, has played the critical role of 'swing producer' and its oil exports dropped to the lowest level ever last year. Last month, it postponed its 1986/87 budget for five months because of uncertainty in the world oil market. The sharp reduction in its oil revenue reduced imports by 31 percent during the first half of last year and they are expected to fall even further this year. The Saudi Arabian planning minister has announced that his government had decided to terminate the contracts of over 600,000 expatriates working in the public sector.

UAE Finance Minister Ahmad al-Ta'ir disclosed recently that his country began cutting its budget four years ago, and is planning to slash the current expenditure by 15 percent in the light of the slump in oil prices.

Oman, which devalued its currency in January by 10.2 percent in a bid to boost government revenues from oil, has frozen most new government spending and is reportedly preparing to borrow up to 500 million dollars from banks.

Challenged by abrupt changes in the world oil market, the GCC states, which depend on oil for more than 90 percent of their revenues, are also trying to diversify their economies by developing local industries in an effort to reduce the over-dependence of their economies on oil.

However, economists here are pessimistic about the chances for recovery of the Gulf economy in the near future. They note that due to the on-going Iran-Iraq war and the unstable oil market, the recession in the Gulf states has not yet reached its lowest point, and the current economic slowdown will last for some years. The grim truth is that the six Gulf states will likely have to continue tightening their belts.

JAPAN STUDYING PARTICIPATION IN SDI RESEARCH

OW231942 Beijing XINHUA in English 1913 GMT 23 Apr 86

[Text] Tokyo, April 23 (XINHUA) -- Japan is studying possible participation in the U.S. star wars program, but its stand will not be disclosed before the May Tokyo summit.

According to local press reports, at a cabinet meeting today, five ministers, including Foreign Minister Shintaro Abe, Chief Cabinet Secretary Masaharu Gotoda and Director-General of the Defense Agency Koichi Kato listened to a report on potential Japanese participation in the program by an investigation team which just concluded a visit to the United States.

The delegation, comprising representatives of 21 big enterprises and officials of governmental institutions, said in its report that Japanese participation in the program "in a proper way" would greatly enhance Japan's technology and production.

After the cabinet meeting, Foreign Minister Abe said "Japan will consider participating in the star wars program in a prudent fashion." However, Chief Cabinet Secretary Gotoda said, "We won't take a stand on this issue before the summit of the seven industrialized countries."

Observers here noted that the Japanese Government has moved a step forward in participating in the program by admitting to the possibility. Earlier, the government had never openly indicated that it might contemplate Japanese involvement in the program. The cabinet is expected to meet again to discuss this issue.



REPORTAGE ON VISIT OF SURINAMESE FOREIGN MINISTER

Briefed By Wang Hanbin

OW230734 Beijing XINHUA in English 0657 GMT 23 Apr 86

[Text] Beijing, April 23 (XINHUA) -- Wang Hanbin secretary-general of the Standing Committee of China's National People's Congress, met with Henk Herrenberg, foreign minister of Suriname, and his party here today. Wang briefed the visitors on the system and works of the National People's Congress and its Standing Committee. He hoped the current visit by Herrenberg would further the friendly relations between the two countries and parliaments.

## Wu Xueqian Praises Prospects

OW231638 Beijing XINHUA in English 1635 GMT 23 Apr 86

["Sino-Suriname Cooperation Bright: Wu Xueqian" -- XINHUA headline]

[Text] Beijing, April 23 (XINHUA) -- Chinese Foreign Minister Wu Xueqian said today that Sino-Suriname economic cooperation is certain to witness a further expansion. In his toast at a banquet for Suriname Foreign Minister Henk Herrenberg, Wu said, so long as the two countries strictly abide by the principles laid down in the communique on their establishment of diplomatic relations, their friendly ties will surely register even greater development in the next decade. "There will be a broader vista for our economic cooperation," he added.

Wu noted that since the establishment of diplomatic relations in 1976, the two countries have increased exchanges, deepened mutual understanding and started economic cooperation. "Both China and Suriname are developing countries, facing a common task of developing our respective national economies and lifting ourselves from underdevelopment at an early date," he said.

"We can draw useful lessons from each other's experiences and learn from each other's strong points." He paid tribute to the efforts of the Suriname people in safeguarding national independence and developing their national economy. "Particularly, as a member of the coordinating bureau of the Nonaligned Movement, Suriname has played an active role in promoting the development of the movement," he said.

In reply, Herrenberg expressed his pleasure at making a trip to China, adding that the Suriname Government hopes to strengthen friendship and cooperation with China in the areas of economy and trade. Wu and Herrenberg held talks earlier this afternoon.

## Meets With Wan Li

OW241228 Beijing XINHUA in English 1210 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Vice-Premier Wan Li met Henk Herrenberg, foreign minister of Suriname, here this afternoon. Wan said Herrenberg's current visit to China had enhanced the friendship, cooperation and mutual understanding between the two countries.

Herrenberg told the vice-premier that he had found that the two countries can develop their cooperation in various fields. He said that Suriname would treasure its friendly relations with China. Herrenberg and his party visited the Beijing general internal-combustion engineplant this morning.



Signs Economic Agreement

OW241254 Beijing XINHUA in English 1246 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- An agreement on economic and technical cooperation between Chinese and Surinamese Governments was signed here this evening. According to the agreement, China will provide Surinam with an interest-free loan, which shall be used for implementing projects to be mutually agreed on, providing individual equipment, general commodities and technical assistance. The document was signed by Chinese Foreign Minister Wu Xueqian and Surinamese Foreign Minister Henk Herrenberg on behalf of their respective governments.

Leaves For Home

OW250510 Beijing XINHUA in English 0209 GMT 25 Apr 86

[Text] Beijing, April 25 (XINHUA) -- Henk Herrenber, foreign minister of Surinam, left here for home this morning, winding up his three-day visit to China. Among those seeing him off at the airport was Chinese Vice Foreign Minister Zhu Qizhen.

YAO YILIN MEETS FORMER ARGENTINE PRESIDENT

OW241128 Beijing XINHUA in English 1121 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Yao Yilin, member of the Political Bureau of the Chinese Communist Party Central Committee and Vice-premier, met and feted Arturo Frondizi, former President of Argentina, and his party here at noon time today. Among those present was Zhu Liang, head of the liaison department of the Chinese Communist Party Central Committee.

VICE PREMIER YAO YILIN MEETS CANADIAN VISITORS

OW231220 Beijing XINHUA in English 1207 GMT 23 Apr 86

[Text] Beijing, April 23 (XINHUA) -- Chinese Vice-Premier Yao Yilin met here today a delegation from the International Development Agency of Canada, led by its President M. Catley Carlson. The Canadian guests are invited here by China's Ministry of Foreign Economic Relations and Trade to exchange views on Sino-Canadian economic and technological cooperation.

CHINESE EXPLORING NEW SOCIALIST ECONOMIC MODELS

OW241952 Beijing XINHUA in English 1439 GMT 24 Apr 86

[Text] Beijing, April 24 (XINHUA) -- Chinese economists made a major breakthrough when they rejected the belief that there was only one model of building a socialist economy, a seminar heard today. This breakthrough enabled them to explore new models of socialist economic development with Chinese characteristics, Dong Fureng, director of the Chinese Academy of Social Sciences's Institute of Economics told the seminar of Chinese and Canadian economists.

Dong told the seminar, which opened on Wednesday, that Chinese economists were daring to break with outdated theories and those already proved to be incorrect, and were developing new ones, while taking the fundamental tenets of Marxism as their guide. The theory that denies the existence of a relationship between commodity and money under a socialist economy and of the role of market regulation had been proved incorrect, and had been replaced by a socialist planned commodity economic theory, said Dong, who is also a professor at Beijing University.

Chinese economists also believed that the theory that under a socialist system there existed only state and collective ownership was incomplete. They believed that provided public ownership was in a dominant position, the existence of other forms of ownership and methods of management could exist under socialism.

Dong told the seminar that economic reforms in rural and urban areas in recent years had paved the way for further advance of China's economic theories. He pointed out, however, that the pace of theoretical development still lagged far behind practical development. There remained many problems to be solved theoretically. Chinese economists were keen to learn about foreign academic achievements, and to absorb those most suitable for China's needs.

#### TRADE DEFICIT WITH BRAZIL TO CONTINUE TO INCREASE

HK230809 Beijing CHINA DAILY (BUSINESS WEEKLY Supplement) in English 23 Apr p 1

[By He Qingquan]

[Text] China's trade deficit with Brazil, its biggest trade partner in Latin America, reached \$550 million last year and will continue to increase this year because of the nosedive in oil prices, an official of the Ministry of Foreign Economic Relations and Trade told BUSINESS WEEKLY.

The official said he hoped the Brazilians would make greater efforts to import more Chinese goods so that trade between the two countries could keep developing smoothly. "If our exports to Brazil continue to decrease, our capacity to import from that country is bound to be affected," he said.

In 1985, 98 percent of China's exports to Brazil consisted of its 2.5 million tons of oil, valued at about \$400 million. Between 1980 and 1983, China had a favourable trade balance of \$800 million over Brazil. Price reduction of oil reversed the trend; and in 1984, China began to have an unfavourable balance for the first time in the 1980s. China hopes that the Brazilians adhere to the agreement to import 3 million tons of oil in 1986. The agreement was reached during Chinese Premier Zhao Ziyang's visit to that country, according to the official.

The official described Brazil as a "very friendly country," and said that China is seeking trade balance with Brazil by "active development." "We will try not to reduce our imports from Brazil but rather to increase our exports to that country. We hope the Brazilians will also make an effort to import more from China," he said. China now imports large amounts of steel products, pig iron, lumber, paper pulp, cars and other items from Brazil. In 1985, China's imports from Brazil were valued at nearly \$1 billion.

Meanwhile, a Brazilian Embassy official, Carlos A.P. Parellas, described the trade deficit as normal and said that one should not worry too much about it. According to the Brazilian official, the trade deficit could be an "incentive" for further trade. He said that new areas of trade and co-operation are created almost every month.

Some of the 40 Brazilian companies participating in an exhibition here in Beijing are exploring the possibilities of buying products from China, and at the end of this month the second meeting of the Scientific and Technological Cooperation Commission will be held in Brazil. This, the official said, could lead to more possibilities of buying and selling. The two countries could trade not only in products, but also in services and technology as well, the official told BUSINESS WEEKLY. He said that he is very optimistic about trade and co-operation between the two countries.

CHEN PIXIAN REPORT ON NPC COMMITTEE WORK

OW201301 Beijing XINHUA Domestic Service in Chinese 0005 GMT 18 Apr 86

[Text] Beijing, 18 Apr (XINHUA) -- Report on the work of the NPC Standing Committee, delivered by Chen Pixian, vice chairman of the NPC Standing Committee, at the Fourth Session of the Sixth NPC on 2 April 1986

Deputies:

On behalf of Chairman Peng Zhen and the NPC Standing Committee, I now deliver to the current session a report on the work of the Standing Committee since the Third Session of the Sixth NPC.

In the past year, the Standing Committee, following the resolution of the Third Session of the Sixth NPC on the report on the work of the Standing Committee and exercising its constitutional functions and powers, has strengthened its supervision over the implementation of the PRC Constitution and over the work of the administration, the courts and the procuratorates. It has stepped up legislative work, particularly economic legislation, improved its own organization and system and the work of its special committees, and recorded new progress in developing socialist democracy and improving the socialist legal system.

1. Stepping up the legislative work to meet the needs of reform and construction

Following the guidance of the decision of the Third Session of the 12th CPC Central Committee that "more and more norms guiding economic relations and activities will have to be framed in the form of law in the restructuring of the economy and national economic development," the Standing Committee has further stepped up its legislative work -- particularly economic legislation -- since the Third Session of the Sixth NPC. In the past year, it has formulated the Grasslands Law, the Fishery Law, the Meteorology Law, the Mineral Resources Law, the Law Governing the Exit and Entry of Foreigners, the Law Governing the Exit and Entry of Chinese Citizens, and the Regulations on Identification Cards for Chinese Citizens. After a preliminary examination, it has decided to submit the drafts of the General Principles of the Civil Code, the Law on Enterprises Operated Exclusively with Foreign Capital, and the Compulsory Education Law to the current session for further examination and approval. Of the 10 laws, 5 are economic laws and 2 deal with our opening to the outside world; the General Principles of the Civil Code is also a very important law for readjusting economic relations within certain limits.

In order to meet the needs of opening to the outside world, attracting foreign investment and importing advanced foreign technology and equipment, the draft Law on Enterprises Operated Exclusively with Foreign Capital provides legal protection to the rights and interests of such enterprises in China, and stipulates preferential conditions to attract foreign investment. At the same time, it also stipulates that enterprises to be established exclusively with foreign capital shall be conducive to the development of China's national economy, and that such enterprises shall use advanced technology and equipment or market all or most of their products outside China. The Law Governing the Exit and Entry of Chinese Citizens, formulated by the Standing Committee, has eased some restrictions in this respect and simplified the application procedures. The Law Governing the Exit and Entry of Foreigners has abolished the practice of requiring exit visas and eased some travel restrictions. Those stipulations facilitating exit and entry will further promote economic cooperation and scientific, technological and cultural exchanges with foreign countries.



The Grasslands Law, the Fishery Law and the Mineral Resources Law formulated by the Standing Committee pay attention to ensuring rational development, use and protection of natural resources. In line with the principle of reform, economic invigoration and good management, we have codified our experience of success in reform of the economic structure into some of the articles of these laws. In accordance with the principle of properly separating the right to ownership from the right to use, the Grasslands Law and the Fishery Law stipulate that state-owned grasslands, water areas, and beaches may be assigned to state-owned organizations and collectively-owned organizations for use. They also stipulate that collectively-owned grasslands, water areas and beaches being used by collectives may be contracted out to individuals or collectives for productive use. On the assumption that the mining industry can be developed by the state, collectives and individuals, the Mineral Resources Law stipulates that the state safeguards the consolidation and development of state-operated mining enterprises; encourages, guides and helps collectively-owned mining enterprises in their development; and guides and helps individuals to undertake mining according to law. Moreover, these three laws all contain necessary stipulations concerning the protection of resources. The stipulations are not designed to restrict the development and use of resources. They are aimed at improving the development and use of resources, and are conducive to our economic construction. The Standing Committee has also formulated a Metrology Law which will also play an important role in maintaining economic order and ensure that socialist economic construction proceeds smoothly.

The drafting of the Civil Code, which is one of the state's basic laws, is an important matter concerning the building of the state's legal system. The draft Civil Code sets forth the standards to be observed in handling certain issues of common interests in civil activities. It also stipulates the way the Civil Code regulates the relationship of property between equal bodies, such as between citizens, between corporations, and between citizens and corporations. To provide a legal basis for civil activities as well as the regulation of civil relations, it also stipulates the civil rights and civil responsibilities of citizens, corporations, individual businessmen, contractors, individual partners, and cooperative operations by corporations. Thus, the law is significant for protecting the legitimate civil rights of citizens and corporations, for promoting economic, cultural, scientific and technological exchanges and cooperation with foreign countries, and for administering economic operations with more efficient legal means to facilitate economic reform.

The drafting of the Compulsory Education Law is urgently needed to promote fundamental education, train needed personnel, and improve the quality of the people of the whole country. The draft Compulsory Education Law provides that a 9-year compulsory educational system shall be instituted in the country, and that provinces, autonomous regions, and municipalities directly under the central government shall determine the steps and establish a timetable for instituting the system according to the situation of their economic and cultural development. The state will adopt measures to ensure schooling for school age children and promote teacher-training education to train qualified teachers. It will also take positive measures to help economically disadvantaged areas and minority areas develop compulsory education.

In accordance with a decision of the Third Session of the Sixth NPC, the 11th meeting of the NPC Standing Committee decided last June to set up a committee to draft the Hong Kong Special Administrative Region Basic Law.



During its first meeting held in early July last year, the committee presented the outline and tentative concept of how the law should be drafted. In Hong Kong, the Hong Kong Special Administration Region Basic Law Consultative committee was also set up. The drafting of the basic law is now in full swing. The basic law drafting committee will soon hold a second meeting. We believe that, with hard work and on the basis of extensively soliciting the opinions of countrymen and people in all circles in Hong Kong, we will be able to produce a Hong Kong Special Administrative Region Basic Law that is in line with the aspirations of the people of the whole country -- including our countrymen in Hong Kong -- that is in accordance with the Sino-British Joint Declaration on the Question of Hong Kong and the Principles of "one country, two systems," and that safeguards our country's sovereignty and maintains Hong Kong's stability and prosperity.

To keep pace with the needs in economic reform and socialist modernization -- in order of importance and urgency, and on the basis of the actual conditions -- we have acted positively and responsibly in expediting economic legislation. Currently being drafted are important economic and administrative laws governing land use, state-operated industrial enterprises, customs affairs, maritime affairs, corporations, bankruptcy, rural enterprises, and labor. Being studied and drafted are laws concerning education, science, culture and public health, including laws governing state functionaries, copyrights, technical contracts, and so forth. Because reform is still continuing in the economic, educational, scientific and technological spheres, and since experiences are still being accumulated from certain important projects of reforms, these laws will be drawn up step by step according to actual conditions. On the basis of summing up experiences, these laws will be enacted as soon as conditions are ripe. To make up for the lack of certain laws, for which the conditions for legislation are not yet ripe, and which involved the restructuring of the economic system and the policy of opening to the outside world, the State Council will draw up tentative regulations or measures according to the NPC's authorization. Meanwhile, all provinces, autonomous regions and municipalities directly under the central government are working hard on drawing up local laws. When certain state laws are not yet available, these local laws will help expedite state legislation.

During the legislative process, the Standing Committee paid attention to soliciting the opinions of all localities, departments and quarters, and gave full scope to the role of legal experts, making sure that legal theoretical workers and law enforcement personnel work together to fulfill their legislative work well. On two occasions last year, the NPC Standing Committee's Legislative Affairs Commission sent copies of the draft of the General Principles of Civil Code to all provinces, autonomous regions, municipalities directly under the central government, and pertinent central departments as well as law colleges, law departments and research units to solicit their opinions about the draft. The commission also sponsored three meetings to hear the opinions of civil code experts, and leading cadres of civil and economic affairs tribunals of people's courts, as well as comrades of the relevant central departments, and economic law experts in Beijing. While drafting, researching and revising the Law on Enterprises Operated Exclusively with Foreign Capital and the Grasslands Law, the commission also invited many experts and workers in the legal, economic and other pertinent fields to discuss and revise the two laws, and received many good ideas from them about revising or expanding the laws. Actual experiences prove that, as far as legislative work is concerned, this is a good way of integrating theories with practice and implementing democratic centralism. Moreover, legal personnel can also be trained in the legislative process. These measures will be institutionalized in the future.

## 2. Intensifying supervision over the implementation of the Constitution and other laws

Actual experiences prove that, to ensure normal and sound progress in socialist construction, we must carry out construction and enforce laws at the same time, and that unless we have a sound legal system -- under which laws are invariably and strictly enforced and offenders are punished -- we cannot possibly guarantee success in building a socialist society with advanced material progress and an advanced culture and ideology. Over the past several years we have accomplished a great deal of work in perfecting the socialist legal system. As far as legislation is concerned, the NPC and its Standing Committee have drawn up 47 other laws in addition to the Constitution. Furthermore, the State Council has also drawn up over 400 administrative laws and regulations, as well as certain interim regulations and rules regarding economic reform and the policy of opening to the outside world, which were drawn up under the NPC's authorization. Although our legal system is still incomplete, we do have laws for all major areas. The conspicuous issue concerning our legal system today is the fact that lawlessness and ineffective law enforcement are still quite serious in certain spheres in certain parts of the country. This situation must be firmly corrected.

Following the Third Session of the Sixth NPC, the Standing Committee has taken the following measures regarding how it has supervised the execution of law: First, it has supported and supervised some localities in checking violations of the constitution and other laws. For example, when electing, appointing or dismissing state organ personnel, some localities have ignored the democratic rights of NPC deputies or members of the NPC Standing Committee. Disrespecting the authority of the NPC and its Standing Committee, and without going through the legal process, these localities have announced the appointment of cadres, who should have been elected by the NPC, or appointed or dismissed by the NPC Standing Committee according to law. Some localities have willfully transferred elected county, township or town cadres, and failed to appoint or dismiss them according to law. In certain cases, the NPC Standing Committee was criticized for exercising its legitimate rights and not approving certain appointments. The Standing Committee has advised these localities that they must handle such unconstitutional and illegal actions, and the Standing Committee's general office has also published in its newsletter the news of how some localities have adopted measures to correct lawless actions. Over the past year, the NPC Standing Committee's Legislative Affairs Commission also answered over 200 questions concerning legal matters in various localities. All this has played a positive role in ensuring the implementation of the Constitution and other laws.

Second, in light of the problems prevailing under the new situation in some localities where laws are not observed or their enforcement is not strict, the Standing Committee has strengthened its supervision over the implementation of some laws. At the 12th Session of the Standing Committee, members pointed out: In some localities, the illegal practice of manufacturing and selling fake and inferior pharmaceuticals, toxic or bad food and imitations of famous-brand merchandise remains serious. The judicial organs and the relevant departments have been urged to seriously tackle this issue on the basis of the Law on Trademarks, the Law on Food Hygiene (for trial implementation) and the Law of Pharmaceutical Administration. Economic sanctions should not be used to replace criminal sanctions in dealing with persons who are held responsible for any crime. Third, the Standing Committee has also paid attention to acting according to law. All matters that should be submitted to the National People's Congress for deliberation and decision in accordance with the Constitution and the provisions of the laws are referred to the NPC for examination and deliberation.

However, the Standing Committee makes no decisions on any matter within the purview of the functions and powers of the government. All matters under the jurisdiction of the Standing Committee are properly handled according to the Constitution and the provisions of the laws, and the responsibilities of the Standing Committee are conscientiously performed. By doing this, it has avoided some unlawful practices.

In order to help the broad masses of people and cadres strengthen their concept on the legal system, learn how to use the legal tools to struggle against any activity that runs counter to the Constitution and the law, and safeguard the legitimate rights and interests of the citizens, the Standing Committee has adopted the "Resolution on Popularizing Common, Basic Legal Knowledge Among Citizens." This is a document of great significance. People both at home and abroad have attached great importance to this document. It will have a great impact on promoting China's democracy and legal system. In order to ensure the implementation of the resolution, the Standing Committee held a discussion meeting of the responsible persons of news media in the capital to discuss how to spread the common knowledge of law. Right now, various localities and departments are exerting efforts to implement the guidelines in this connection, and the work of spreading the knowledge of law is being gradually carried out throughout the country.

It takes a considerably longer time to improve the socialist legal system and earnestly act according to law. The Standing Committee has done some work in providing legal supervision. However, the measures it has adopted are not strong enough, and it has not done enough to check how laws that have been introduced are being implemented. From now on, it must make even greater efforts to improve and strengthen its work in this regard.

### 3. Hearing and Examining Reports on the Work of the State Council, the Court and the Procuratorate, and Intensifying its Supervision Over Their Work

To hear and examine the reports on the work of relevant state organs is the basic form of supervision over these state organs adopted by the Standing Committee. This is also a form to support and help promote their work. On various major issues concerning socialist economic construction and the economic restructuring, over the past year the Standing Committee, has heard and examined Vice Premier Li Peng's report on the economic situation, the report submitted by the State Economic Commission on the current situation in production quality and on measures for the improvement of production quality, the report submitted by the State Administration of Commodity Prices on the situation in commodity price reform, as well as the report submitted by the Auditing Administration on auditing work. It has also heard a report submitted by the Ministry of Water Resources and Electric Power on the plan to prevent torrential floods in the Huang He the Chang Jiang, the Huai He and the Yong Ding He. The members are satisfied with the reports and with the important measures taken by the State Council in promoting economic construction and developing the reform of economic structure. They held: The current economic situation in China is fine. China's current political and economic situation is one of the best since the founding of the nation. The tempo in last year's reform was quicker and the results were better than what we had expected. We had really achieved the goal of "surely winning the initial battle." The State Council has also adopted on a timely basis a series of measures to tackle some of the problems that had cropped up in the course of developing the national economy, and attained marked results in strengthening macro-control. China's socialist modernization program is advancing along a path of healthy development.



We must unswervingly implement our policy in reform. At the same time, the members also held: The new unhealthy trends which cropped up in recent years have seriously hampered the smooth development of the policy of carrying out reforms and opening the country to the outside world. We must resolutely combat and correct them, and never permit any unit or individual to make use of reform and the opening of the country to the outside world to carry out activities that violate the law and discipline, seek private gain at public expense, and make use of one's authority to serve private interests. The practice of correcting unhealthy trends and that of strengthening the development of spiritual civilization are closely related. While developing socialist material civilization, we must attach importance to and strengthen socialist spiritual civilization; persistently educate the broad masses of people to have lofty ideals, moral integrity, education and a sense of discipline; adhere to the four cardinal principles; and oppose and resist the corruption of capitalism, feudalism and other decadent ideologies as well as bourgeois liberalism. While invigorating our economy, we must strengthen the control, management and supervision of our economic activities in an overall manner. Particular efforts must be made to strictly enforce discipline on financial and economic matters. Effective measures must be adopted to firmly correct the trend in some enterprises to onesidedly emphasize production value and profits while neglecting production quality and social economic results. In carrying out price reform, we must adhere to the principle which combines relaxed control with readjustments and aims at making steady progress, and maintain the basic stability of commodity prices as a whole.

In order to wage an in-depth struggle against serious economic crimes and ensure that the reform of the economic structure and socialist construction proceeds smoothly, the Standing Committee heard reports by the president of the Supreme People's Court, Zheng Tianxiang, and by the procurator-general of the Supreme People's Procuratorate, Yang Yichen, on cracking down on serious economic crimes. The members of the Standing Committee were satisfied with the achievements made by the Supreme People's Court and the Supreme People's Procuratorate in cracking down on serious economic crimes over the past year. They held that a major problem during an earlier period was laxity in dealing with economic crimes. The handling of some economic cases could not proceed, not because we did not have the law to follow, but because we did not strictly enforce the law. We must resolutely handle cases according to law. In particular, we should pay attention to investigating and handling major cases, dare to deal with tough cases, break under-the-table relationships and the criminal umbrella, get to the bottom of a case no matter who is involved in it, and sternly deal with criminals according to law. The members of the Standing Committee also pointed out that we should not "treat crimes as merely a poor work style," nor should we "substitute administrative disciplinary actions for legal punishment." In line with the opinions of the Standing Committee members, the State Council has decided to change the practice of "retaining a certain percentage of collected fines and confiscated property," and stipulated that all collected fines and confiscated property must be turned over to the state treasury. This is a necessary measure to intensify our efforts to crack down on economic crimes and overcome unhealthy tendencies.

In addition, the members of the Standing Committee also listened to reports on the visits of President Li Xiannian and Premier Zhao Ziyang to some European, Asian and American nations, and a report by State Councillor and Minister of Foreign Affairs Wu Xueqian on the international situation and China's foreign affairs in 1985. The members of the Standing Committee held that China made remarkable achievements over the past year in foreign affairs, proving the correctness and success of our independent foreign policy of peace.



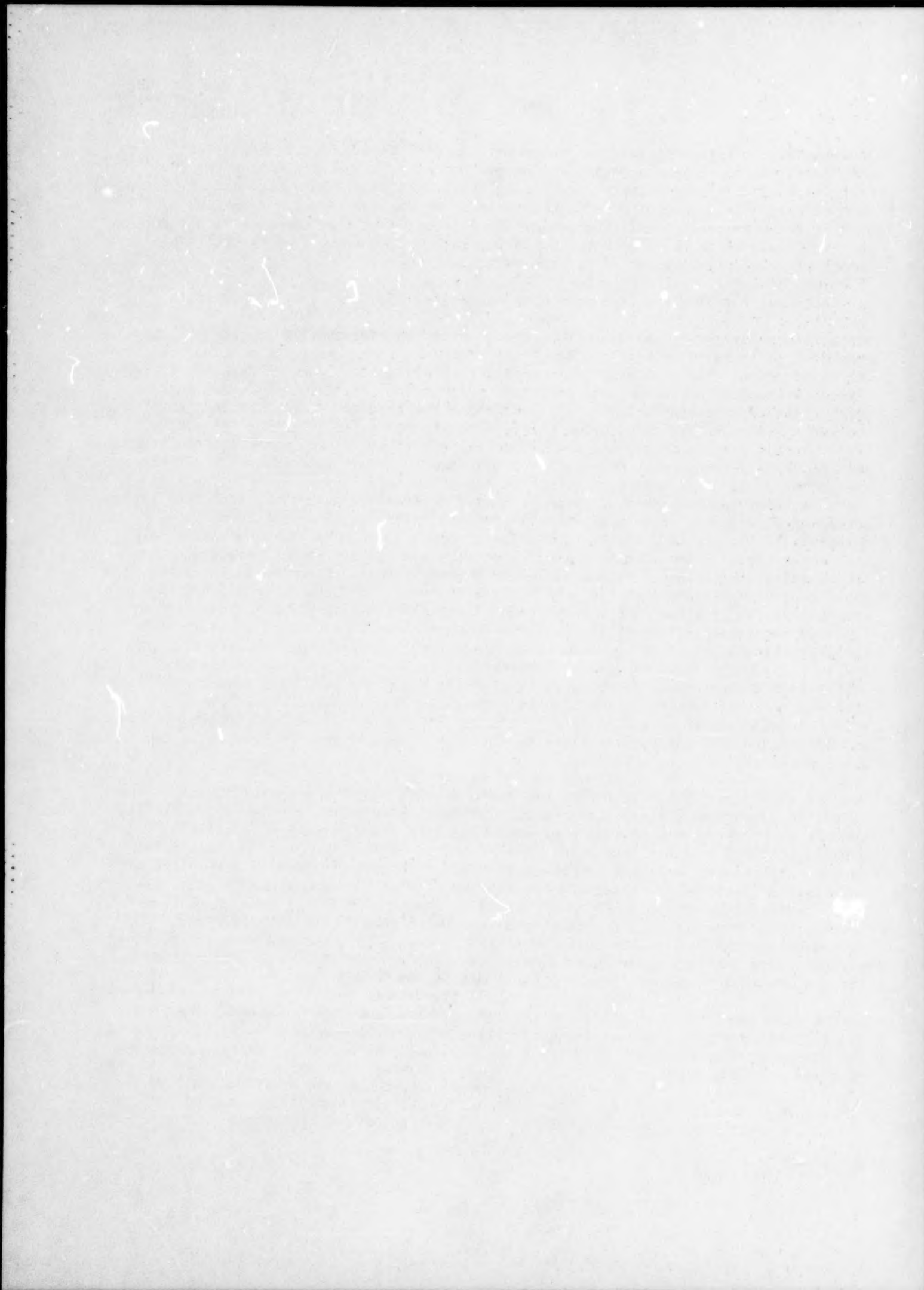
The Standing Committee decided to ratify or join five international conventions -- the "International Telecommunications Convention," the "Convention Concerning the Protection of the World Cultural and Natural Heritage," the "Convention on the Prevention of Marine Pollution by Dumping Wastes and Other Matters," and conventions concerning narcotics and psychiatric drugs. It also ratified the "Consular Treaty Between the People's Republic of China and the Democratic People's Republic of Korea." These are important to the development of foreign relations.

#### 4. Seriously Handling the Proposals and Suggestions Put Forward by NPC Deputies

At the Third Session of the Sixth NCP, the deputies put forward 128 proposals. The presidium of the session assigned 33 of the proposals to relevant NPC Special committees for examination. The remaining 95 proposals were assigned to various departments concerned for handling, because they were just suggestions, criticism or comments regarding work in various fields. After finishing the necessary investigations and studies and seeking the opinions of the departments concerned under the State Council, the Nationalities Committee, the Law Committee, the Financial and Economic Committee, and the Education, Science, Culture and Public Health Committee examined the 33 proposals one by one, and made reports on the results of their examination. The Standing Committee has approved their reports. Of those proposals, 21 concerned legislative work, and most of them were accepted. For instance, we have already promulgated the Fishery Law, the draft Compulsory Education Law has been submitted to the current session for examination and approval, and the departments concerned are formulating the Corporation Law, the State Highway Law, the Electric Industry Law, the Agricultural Drug Management Law, the Workers and Staff Members Vocational Protection Law, and the Law on the Protection of Military Installations. There are some laws and regulations which still cannot be formulated at present, and we will study their practicability after accumulating and summing up experience. The other 12 proposals dealt with important questions concerning finance, economy and education. We have joined the departments concerned in studying them, and have put forward our opinions on their solution. The Standing Committee also examined all of the 33 proposals and decided to assign them to the departments concerned for further handling and implementation, and not to place them on the agenda of the NPC session or any sessions of the Standing Committee.

Most of the 95 motions treated as proposals concerned specific projects in the economic, cultural, educational, scientific and technological affairs and public health fields, such as the construction of railways, seaports, airports, irrigation facilities, schools, scientific and technological halls, and so forth. The State Council's relevant departments are making a comprehensive study of these projects in accordance with the state's financial and material resources as well as the conditions in other areas. Some projects have already been incorporated in the Seventh 5-Year Plan, some cannot be carried out now, and some are local projects which should be handled by local governments. The deputies or delegations that presented the motions have all received written replies of how their motions have been handled, and the NPC Standing Committee has also received a report about how those motions have been handled.

During the 14th session of the NPC Standing Committee, 59 members cosigned 2 motions, namely intensifying teacher-training education and considering it a special project of the Seventh 5-Year Plan, and allocating special funds for ensuring the implementation of compulsory education.



The opinions presented by the State Planning Commission and the Ministry of Finance after careful study of the motions were approved by the State Council and reported to the NPC Standing Committee. After reviewing the opinions on two occasions, a meeting chaired by the NPC Standing Committee chairman decided that the motions should be re-examined by the Financial and Economic Committee. It also solicited the opinions of the Education, Science, Culture and Public Health committee, and then explained to the deputies about the treatment of their motions. The deputies were satisfied to find that their motions were being handled seriously.

During the Third Session of the Sixth NPC, the deputies also put forward 2,832 proposals, voicing their criticism as well as suggestions about the state's political life, economic construction, administrative reform, educational and scientific development, spiritual construction, and other work. The number of these proposals exceeded those received during the previous two sessions. With a serious and responsible attitude, many units that handled the proposals studied the proposals one by one, and handled, without delay, whatever that could be handled, or gave a responsible answer to any proposal that could not be handled immediately. By mid-January, all the deputies' proposals had been handled. Of all the issues raised in those proposals, 26 percent have been resolved, and 55 percent are being resolved or have been incorporated into various plans to be carried out gradually. The remaining issues will either be resolved when conditions permit, or have been referred to the relevant departments for their study and reference.

The motions and proposals put forward by deputies reflect the people's wishes and demands. While these motions and proposals serve as important ways for the deputies to maintain close ties with the masses and exercise their authority, properly handling them is an important way for state organs to heed the masses' opinions and improve their operation.

Certain proposals put forward by NPC deputies were not treated seriously and responsibly enough, and we must correct this attitude.

#### 5. Improving NPC Deputies' Inspection

In accordance with the experiences gained by some localities in organizing inspection by NPC deputies, as well as the opinions of comrades of the standing committees of people's congresses of some provinces, autonomous regions and municipalities directly under the central government, the General Office of the NPC Standing Committee has published the Opinions on Improving NPC Deputies' Inspection, and decided to gradually replace scheduled, organized inspections by NPC deputies with regular, unorganized inspections so that NPC deputies can directly hear the opinions and demands of the people at the grassroot level and play an even better role as the people's deputies. In accordance with what they are familiar with or what they want to know, deputies may now decide exactly what and when they want to inspect. They may inspect individually, or in groups of several people. Deputies may also inspect certain important issues or certain special fields collectively according to the nature of their work or their wishes. To facilitate their inspection, all provinces, autonomous regions, municipalities directly under the central government, and cities where there are relatively large numbers of NPC deputies may organize themselves into inspection groups and join the members of the standing committees of the local people's congresses on their inspections. That was exactly what was done last February and March. According to the deputies, because of the improvement in inspection, their investigation and study of the actual situation was more effective, they could address problems more effectively while deliberating motions at NPC sessions, and they advised that future inspections should be regularized and institutionalized.



Following the Third Session of the Sixth NPC, members of the NPC Standing Committee conducted a number of inspections pertinent to the examination of some motions. In October 1985, five groups of Standing Committee members went to Nei Monggol, Shandong, Hunan, Guizhou and Qinghai to inspect how they had restructured their educational systems. Collectively or individually, members of the inspection groups visited over 80 schools and kindergartens in 31 cities and counties. Some even inspected old revolutionary bases, minority areas, frontier regions and impoverished areas. They learned from the inspection that all these localities had adopted many measures and accomplished a great deal of work in implementing the CPC Central Committee decision on restructuring their educational systems. These localities, for example, have successfully restructured their educational systems by increasing their educational budgets, broadly popularizing primary compulsory education, enrolling more students in schools, arousing the initiative of teachers by further implementing policies toward intellectuals, and restructuring the secondary education. The Standing Committee members pointed out that, to achieve a faster educational development on the basis of economic growth, more effective measures should be adopted to promote teacher-training education, deal with problems concerning shortages of qualified teachers and educational funds, systematically restructure the secondary and higher educational system, and give old revolutionary bases, minority areas, frontier regions and impoverished areas special consideration and support. The inspection played a significant role when the Draft Compulsory Education Law was deliberated in the NPC Standing Committee.

#### 6. Promoting the Ties Between the Standing Committees of the NPC and Local People's Congresses

Stronger ties and exchange of experiences between standing committees of the NPC and local people's congresses will help improve the operation of standing committees of people's congresses at all levels. Over the past year when the chairman, vice chairmen and members of the NPC Standing Committee were inspecting some provinces, autonomous regions and municipalities directly under the central government, they invariably held talks with comrades of standing committees of the local people's congresses in order to familiarize themselves with their work. On many occasions Chairman Peng Zhen personally chaired meetings of the standing committees of people's congresses of provinces, autonomous regions and municipalities directly under the central government, and discussed the operation of various standing committees and their proposals with leading comrades. At a meeting held last November, he exchanged experiences with comrades of the standing committees of the local people's congresses and put forward many constructive ideas. They maintained that, while the standing committees of local people's congresses have substantially improved their operating procedures and accomplished a great deal of work in recent years, they have also encountered many difficulties and problems. These include how the standing committees of people's congresses should exercise their authority according to law, examine and decide on major projects of their administrative areas, supervise the work of governments and people's courts and procuratorates of the same levels, and draw up local regulations and rules to meet local needs; how standing committees of people's congresses are going to strengthen their own organization and institution and reorganize the standing committee members so that they can function more effectively and the operation of the standing committees can become more institutionalized and standardized; how deputies can fulfill their roles more effectively; and how to improve the operating organs, staff them with personnel selected on the basis of the "four requirements" for cadres, and properly solve other problems, such as the authorized size of standing committees, budgets and working conditions. These problems must be gradually dealt with in the course of practice.

The key issue confronting us today is that all cadres must heighten their concept of democracy and law, and genuinely respect the Constitution and the status and authority of the standing committees of the local people's congresses prescribed by local organic rules and regulations. Comrades of the NPC Standing Committee must clearly realize, first of all, that building socialist democracy and law is of fundamental importance as the state's major construction project. Additionally, it must be recognized that this is an important assignment that the people have given the NPC and its Standing Committee, and we must make long-term, unremitting efforts to accomplish this mission.

Over the past year, the various NPC special committees have also strengthened their ties with the standing committees of the local people's congresses. The Financial and Economic Committee has more than once proposed holding discussion meetings on the work of the financial and economic committees of various provinces in East China, Central-South China, Northwest China, Southwest China, Northeast China and North China, and those of various autonomous regions and municipalities directly under the central government. The Education, Science, Culture and Public Health Committee held a discussion meeting on the work of the education, science, culture and public health committees of the 15 provinces, autonomous regions and municipalities directly under the central government in Northeast China, North China and East China. The Overseas Chinese Committee invited the responsible persons of the Overseas Chinese committees or those in charge of the Overseas Chinese affairs in the people's congresses of some provinces and autonomous regions to attend two discussion meetings in which the participants summed up the work experiences of the relevant special committees, and studied and tackled the problems that they had encountered in the course of doing their work. They had further reaffirmed the need for the special committees of various provinces, autonomous regions and municipalities directly under the central government to regard the active participation in and the formulation of local rules and regulations as an important task, to assist the standing committees in carrying out their supervisory work well, to refrain from inappropriately interfering with the work which is within the limits of the functions and powers of the government, to strengthen themselves organizationally and to improve their administrative bodies. The Nationalities Committee has strengthened its investigation and research work on how regulations on self-government in national autonomous areas were being formulated, and held discussions with some comrades of the various provinces, autonomous regions, autonomous prefectures and autonomous counties on how to draft regulations for self-government. It has stressed that in formulating regulations for self-government, it is necessary to adhere to the principle of unifying the legal system and avoid going against the provisions of the Constitution and the Law Governing Regional National Autonomy. It is also essential to reflect the characteristics of one's own district and regard the acceleration of economic and cultural developments as a focal point. All this was a great help to various localities in formulating regulations governing regional national autonomy. In addition, the Legislative Affairs Commission of the NPC Standing Committee and the Ministry of Justice jointly sponsored classes for the training of legislative cadres. The standing committees of the people's congresses in various provinces, autonomous regions, municipalities directly under the central government as well as various special economic zones and coastal cities that have been opened to the outside world selected and dispatched cadres to attend these classes for the training of legislative cadres. The participants emphasized the study of the guiding ideologies, the basic principles and the main experiences in carrying out legislative work, and helped various localities strengthen their work in improving the legal system.

The "Newsletter on Work" published by the General Office of The NPC Standing Committee introduced the experience of the standing committees of some of the local people's congresses. This experience played an active role in promoting the work of the standing committees of the people's congresses at all levels.

#### 7. Further Promoting Exchanges and Ties With Foreign Parliaments

Since the Third Session of the Sixth National People's Congress, the NPC Standing Committee has made new progress in foreign affairs. In April last year, NPC Standing Committee Chairman Peng Zhen's visit to Japan was another important visit by China's principal party and state leaders to Japan since the normalization of diplomatic ties between Japan and China. It has further promoted the good neighborly relations between China and Japan. NPC Standing Committee Vice Chairmen Geng Biao, Wang Renzhong, Liao Hansheng and Huang Hua separately led NPC delegations to tour a total of 13 countries. Through such visits, they further strengthened unity and cooperation with Third World countries, and continued to strengthen friendship and cooperation with Romania and Yugoslavia. At the same time, the NPC Standing Committee has once again restored its ties with the national assemblies of the some socialist nations in East Europe after restoring the ties with the USSR Supreme Soviet; and further developed its relations of friendship and cooperation with some countries in West Europe and North America. An NPC delegation visited the United States for the first time. In addition, another NPC delegation attended the third session of the Inter-Parliamentary Union, while an NPC Population delegation visited India. The NPC Standing Committee also sent its members to participate in various activities to mark the 65th anniversary of the founding of the Grand National Assembly of Turkey. During their tours, NPC Standing Committee Chairman Peng Zhen and the NPC delegations were given solemn, warm and friendly receptions. This has shown that China's international prestige has been raised and that its foreign policy is correct.

During this period, the NPC Standing Committee and the special committees also received 33 delegations from 28 countries from 5 continents and 1 region. The NPC has established 10 bilateral friendship groups with foreign countries and carried out some activities in foreign affairs. Two NPC friendship group delegations visited the European Parliament and France. Recently the 15th Session of the Standing Committee decided to set up 6 new bilateral friendship groups with foreign countries. This will play a positive role in developing friendly relations with the parliaments of the relevant countries.

We are carrying out these activities with foreign countries, while taking into consideration the different situations in different countries. When NPC Standing Committee Chairman Peng Zhen visited Japan to discuss the issue of economic cooperation between the two countries, he emphasized on various occasions the need to link the economic relations between China and Japan with their political relations and to develop capital and technical cooperation on the basis of their trade relations. He also elucidated from a legal point of view that the trend of opening China to the outside world and carrying out economic restructuring in the country will not change.



In promoting ties with the Third World countries, we clearly indicated that we would resolutely support the struggle waged by the various countries of the Third World to safeguard their national independence and national sovereignty, actively develop their national economy and seek to reform the irrational international economic order; join our efforts to explore new ways and new forms for economic and technical cooperation on the basis of the principle of equality and mutual benefit, stress practical results, diversity in form and attainment of common progress; and open the possibilities for barter trade. In promoting exchanges with the Soviet Union and the socialist nations in East Europe, we pointed out that China's policy of opening the country to the outside world is not solely aimed at the Western countries. It also includes socialist countries and the Third World nations. We also said: It is hoped that the Soviet Union would perform actual deeds to remove the three major obstacles so as to improve the relations between the two countries in a down-to-earth manner. In promoting ties with the national assemblies of some economically developed nations in West Europe and North America, we emphatically introduced China's open-door policy and its legal guarantee as well as its environment for investments. We also expressed our willingness to further develop economic and trade ties and promote technical cooperation with these countries on the basis of equality and mutual benefits. We welcomed their enterprises to make investments in China and run businesses. At the same time, we also hoped that in providing the market and facilitating technical transfers, the governments of these countries would adopt an even more liberal policy so that the prices of Chinese export merchandise would become even more competitive. In meeting the people of the government and the public in the United States, our delegation pointed out: It is a fine thing that the two countries have witnessed progress in developing their relations in recent years. However, the issue of Taiwan remains the main obstacle in developing bilateral relations. It is hoped that the United States would demonstrate actual deeds in supporting -- not obstructing -- China's efforts in realizing its goal of peaceful reunification. The Chinese NPC delegation expressed its just stand and concern over the attacks of the U.S. Congress against China's policy on planned parenthood and the U.S. bill to restrict the import of Chinese textile products.

Through our ties with foreign parliament, we have elucidated China's independent foreign policy and its principled stand in dealing with a series of major world issues, and introduced China's favorable situation in reforming its economic structure and its achievement in construction. This has played a positive role in helping the parliamentarians of various countries understand China and strengthening the bilateral relations of friendship. Some visitors were moved by our warm and friendly receptions, careful arrangements and sincere attitude which helped them eradicate some of their misunderstanding and worries. They expressed their willingness to exert efforts to develop friendly relations with our country. The delegations of some developing countries held that China's experience in construction was something that they can draw lessons from and make use of. At the same time, our ties with foreign parliaments have also helped us deepen our understanding of the situations in foreign parliaments, increase the contacts between our NPC and foreign parliaments and learn from the valuable experience of many foreign parliaments in doing their work and developing their economy and culture. In addition, during their visits to some countries, our NPC delegations have also met with Overseas Chinese and foreign nationals of Chinese origin, and briefed them on the favorable situation in China, on China's magnificent goal for development and its policy on Overseas Chinese affairs.

The overseas Chinese and foreign nationals of Chinese origin were greatly inspired after hearing the briefings and expressed their willingness to work harder than ever for the rejuvenation and the reunification of the motherland.

The foreign affairs work of the NPC and its standing committee is an important component part of China's diplomatic work as a whole and an indispensable channel in China's contacts with other countries. With the increasing development of China's foreign affairs and the further implementation of the policy of opening to the outside world, more and more bilateral and multilateral contacts can be expected between the NPC Standing Committee and foreign parliaments. In future, the NPC Standing Committee must further sum up its experience in foreign affairs, strengthen investigation and study, and adopt flexible and diverse methods to actively carry out multilevel parliamentary diplomatic activities.

#### 8. Strengthening the Building of the Standing Committee's Organization, System, and Work Organizations.

Chairman Peng Zhen has repeatedly pointed out: It is necessary to study a solution to the question of strengthening the NPC Standing Committee's work, organization, and system, so that the Standing Committee's work can become systematized and standardized step by step. In addition, it is necessary to improve the Standing Committee's work organizations step by step so as to help strengthen the its day-to-day work and maintain the continuity of its work. Over the past year, the Standing Committee has made some efforts and carried out some experiments in this connection. The First Session of the Sixth NPC established the Nationalities Committee, the Law Committee, the Financial and Economic Committee, the Education, Science, Culture and Public Health Committee, the Foreign Affairs Committee, and the Overseas Chinese Committee as the NPC'S permanent organizations. Over the past 2 years and more, these six special committees have done much work in deepening investigation and study and examining and drafting related laws and proposals. They have effectively exercised the legislative power of the NPC and its Standing Committee. They have exercised the functions and powers of the supreme organ of the state in a better way and played an important role in strengthening and giving substance to the day-to-day work of the NPC and its Standing Committee. To further strengthen the work of these special committees and bring the NPC Standing Committee members' role into better play, the NPC Standing Committee chairman has held a meeting to study this question. The meeting suggested that except for in a few special cases, all NPC Standing Committee members who reside in Beijing have not joined any special committees should in principle be recruited as members of a special committee. A plan to augment the special committees has been drawn up and will be submitted to this NPC session for discussion. According to this plan, the component personnel of the six NPC special committees will increase by 60 percent. The number of NPC Standing Committee members joining the special committees will increase and make up two-thirds of the Standing Committee's component personnel. This is an important step to organizationally strengthen the Standing Committee and the special committees. In addition, the NPC chairman's meeting adopted standing committee members' suggestions and decided to recruit them into doing the day-to-day work of formulating laws. At present, 47 members have taken part in the drafting, researching, and revising of 15 draft laws. These members have rich practical experience and professional knowledge. Their participation in drafting, researching, and revising draft laws has played a very good role in the Standing Committee's work of examining draft laws and instituting laws.

Over the past several years, the Standing Committee's working body has been strengthened. Particularly since party rectification, the Standing Committee's working body has further understood that it must contribute to the successful convening of NPC sessions and standing committee meetings, help NPC deputies and Standing Committee members exercise functions and powers according to law, and contribute to the development of socialist democracy and the improvement of the socialist legal system by acting as a good "assistant" and "staff officer." As a result, our organizational work has improved and strengthened. However, neither in the setting up of organs nor in the quality and number of cadres have we met the needs of our work. They all urgently need readjustment and improvement. All necessary organs must be fully staffed. In addition, according to the directive issued by the meeting of central organizations, it is necessary to oppose unhealthy trends, improve work style and work method, overcome bureaucracy, raise work efficiency, and strengthen the work system to meet the needs of strengthening the standing committee's work.

Deputies, since the Third Session of the Sixth NPC, the Standing Committee has improved and strengthened its work in all fields and played an increasingly important role in China's political life. However, we must also understand that compared with the functions and powers entrusted to us by the Constitution and the expectations placed on us by the people throughout the country, the Standing Committee still has a long way to go and there still exist quite a few shortcomings and questions in the Standing Committee's work. Our laws are not perfect yet. Our economic legislative work in particular still cannot catch up with the needs of socialist modernization and the reform of the economic structure. How to strengthen supervision in enforcing the Constitution and other laws and supervision of administrative work, the administration of justice, and procuratorial work depends on continued study and improvement. A number of problems regarding how to organizationally and systematically strengthen the Standing Committee so as to bring the role of all special committees into full play, how to strengthen the Standing Committee's ties with its deputies so as to bring the role of the deputies into full play, and how to strengthen the NPC Standing Committee's ties with local people's congress standing committees still exist and call for solution step by step through practice. We must further sum up experience, study the new situation and new questions, continuously improve work, seriously exercise the functions and powers the constitution has entrusted the NPC Standing Committee, strive to fulfill the Seventh 5-Year Plan, carry out the party's general task and meet its general goals in the new period, and build China into a highly civilized and democratic modern socialist country.

Deputies, please examine, criticize, and correct this report for its appropriateness.

RENMIN RIBAO COMMENTATOR ON CRIME IN POSTAL WORK

HK240010 Beijing RENMIN RIBAO in Chinese 21 Apr 86 p 1

[Commentator's article: "Strengthen the Ranks of Postal and Telecommunications Workers"]

[Text] In the new situation of opening to the outside world and enlivening the domestic economy, the postal and telecommunications departments are taking up increasingly heavier tasks. Postal and telecommunications workers have done much work for building the socialist spiritual and material civilizations and have made remarkable achievements. However, because of limited capacity in communication, postal matters are often accumulated and held up and delivery delayed.



This is not in keeping with the modernization drive. Poor quality in postal and telecommunications services and rather serious crimes and illegal activities in this field have greatly impaired the interests of the people. While accelerating the construction of postal and telecommunications facilities, it is a pressing task to carry out education on professional ethics and on observing laws and discipline among the workers and other employees in order to raise their political and professional levels by a big margin.

Postal and telecommunications services are basic services for economic and social development. They are indispensable factors in production, circulation, distribution, consumption, and other economic activities. They are important tools for politics, culture, propaganda, education, and intercourse among the people. Postal and telecommunications workers and other employees should consciously serve the building of the socialist spiritual and material civilizations. The social benefits brought about by transmitting messages and delivering postal matters are far greater than the economic results of postal and telecommunications services themselves. Therefore, postal and telecommunications workers should first of all pay attention to increasing social benefits and on this basic strengthen management and operation to increase the economic results of their work. In case contradictions between the two occur, they should not maintain the economic results of their respective departments at the expense of social benefits. This is one of the principles to which postal and telecommunications departments should adhere.

China's postal and telecommunications departments have a glorious tradition and fine style and enjoy high prestige. Many postal and telecommunications workers are called by the people "green envoys" and "trustworthy people." Most of the postal and telecommunications workers and other employees are good. However, there are indeed a few black sheep in the postal and telecommunications departments. They steal postal parcels; illegally open, hide, and destroy others' letters; graft; misappropriate public funds; and even blackmail the masses and extort money from them. The harm and consequences of these cases are much more serious than ordinary cases of corruption and theft. They have created an extremely bad impression at home and abroad. Therefore, it is imperative to tightly grasp work in investigating and handling these cases and grasp work in improving the ranks of the workers and other employees. Of course, we should draw a clear distinction between unhealthy trends and crimes. In particular, we should not ask everybody to make self-criticism. Regarding those who have done something that runs counter to professional ethics, we should educate them and help them increase their consciousness. Regarding criminals who have seriously and repeatedly violated professional ethics even after education, we must sternly punish them. We should dismiss them or bring them to justice according to the seriousness of their cases and should not tolerate or connive over their crimes.

It is very important to formulate basic statutes concerning postal and telecommunications work as soon as possible. With these basic statutes, the postal and telecommunications activities of the people will be legally protected and the postal and telecommunications workers will have something to go by. We believe that so long as we are determined and adopt correct and effective measures, we shall certainly get good results in strengthening the ranks of postal and telecommunications workers and effect a turn for the better of the style of postal and telecommunications departments and that the postal and telecommunications workers will certainly remain worthy of their glorious title "green envoys."

RENMIN RIBAO STRESSES HORIZONTAL ECONOMIC TIES

HK231458 Beijing RENMIN RIBAO in Chinese 18 Apr 86 p 1

[Editorial: "Only by Breaking Through the Barriers Between Departments and Regions Can We Develop the Productive Forces -- A Second Talk on the Great Significance of Developing Horizontal Economic Ties"]

[Text] A mighty force of reform lies hidden in the current vigorous development of horizontal economic ties. It will inevitably shake China's existing management system which is characterized by barriers erected between departments and regions and demand that departments, regions, and enterprises break with the depressing situation of carrying out economic activities with the doors closed and develop various forms of economic coordination and cooperation with their doors open to each other.

For a long time, China's economic management system was characterized by the exercise of leadership and management over the national economy according to the administrative relations between department and region. There were barriers erected between departments and regions as a result of their activities being restricted to a designated area, which cut off the horizontal ties required for developing the socialist commodity economy. This state of affairs has changed in recent years. However, the existing economic management system is still playing the leading role and hindering the development of the social productive forces.

The impact of barriers erected between departments and regions on horizontal economic ties can be summed up into the following:

-- In the field of production, enterprises could not display their abilities. As enterprises were under the administrative leadership of different departments and regions, they could not carry out economic and technological cooperation and complement each other.

-- In the field of commodity circulation, the goods were not accessible to the market. The regions and cities proceeded from their own narrow interest and restricted the flow of commodities from other localities to their market under the excuse of "protecting" local industry. Consequently, the more they practiced protectionism, the more they lagged behind, which hampered the development of production and hindered technological progress and the upgrading of products.

-- In the exploitation of natural resources, the materials were not used to the fullest extent. Many inland areas were unwilling to supply raw materials to the economically developed coastal areas and would rather develop local industry than let large numbers of technologically advanced enterprises stop production due to shortage of raw materials. As a result, the large amount of raw material input produced little and the economic results were poor.

In the past we adopted measures on several occasions in an attempt to solve the contradictions between departments and regions. For example, in order to overcome the defects of overcentralism, the central departments delegated the power of economic management to the localities during the late 1950's to stimulate the enthusiasm of the regions.

During the early 1960's, the central authorities assumed power again under the slogan of exercising unified leadership. Later there were debates on several occasions centered on "regaining power" or "delegating power," but we could not extricate ourselves from the administrative management method which separated departments from regions. We made a fuss of whether "you" or "I" will exercise management as regards the central and local authorities, which did not begin to touch the essence of the barriers erected between departments and regions. In other words, enterprises were under rigid and excessive administrative controls and were completely separated from each other in operations. When enterprises were under the management of departments, there were vertical boundaries; and when enterprises were under the management of regions, there were horizontal boundaries. The crux of the matter was that enterprises were not separated from government management.

By carrying out horizontal economic cooperation that transcends regions and departments, enterprises can truly extricate themselves from the irrational administrative interferences and become independent producers and operators of commodity production, thus enabling the smooth flow of commodities, funds, materials, technology, equipment, and other production factors under the guidance of state plans and policies and in light of the laws of the socialist commodity economy, and encouraging competition among enterprises so that only the best can survive. In order to develop horizontal economic ties, it is essential to shake the foundation of the traditional product economy which is characterized by barriers erected between departments and regions and to establish a new economic management system suited to the needs of the socialist commodity economy. We should understand the profound meaning of the development of horizontal economic ties from this angle and have a clear idea about the following criterion: To judge whether the orientation of a specific reform is correct or not, we should see whether it is advantageous or not to breaking through the barriers between departments and regions and whether it conforms to the objective needs of the socialist commodity economy and promotes the development of the social productive forces.

Since the 3d Plenary Session of the 11th CPC Central Committee, the reform of China's economic structure has advanced on the track of simplifying administrative procedures, delegating power, and invigorating enterprises, and has smashed the old system characterized by barriers created between departments and regions. Following the reform of the planning system, the substitution of tax payments for profit delivery carried out in two steps, and measures taken to give full play to the pivotal economic role of key cities, the state of departments and regions being separated from each other has been weakened somewhat. Nevertheless, we should still guard against a new separation of departments from regions along the road of advance. At present, some departments and regions (including some key cities) are always trying to put "me first" and maintain an administrative, closed-type economic system. For example, they place restrictions on cooperation between local enterprises and other regions and departments, terminate the relations of cooperation with other localities, force local enterprises to produce the goods that should be processed or purchased from other localities, erect invisible "tariff barriers," and try by every means to stop the commodities of other localities from flowing into their markets.



In order to put an end to such a state of affairs, it is necessary to further perfect the reforms of the financial and taxation systems and gradually effect a transition from the current financial system characterized by setting up separate accounts and based on sharing profits to the financial system at various levels based on different categories of taxes. Only in this way can enterprises truly become independent economic entities after paying taxes respectively to the central and local authorities according to the tax rates determined by the state. Enterprises can also avoid the irrational administrative interferences imposed by the departments and regions. Meanwhile, we must further strengthen the corresponding reforms which include the planning, circulation, material supply, financial, and foreign trade systems, and create a fine external environment for developing horizontal economic ties and breaking through the barriers erected between departments and regions.

Horizontal economic ties have great vitality. They will inevitably promote the vigorous development of the social productive forces.

#### ARTICLE DISCUSSES MACROECONOMIC CONTROL TARGETS

HK221231 Beijing RENMIN RIBAO in Chinese 14 Apr 86 p 5

[Article by Wang Jiye: "Issues in Macroeconomic Control Targets and Regulatory Mechanisms" -- capitalized passages published in boldface]

[Text] Tightening and improving macroeconomic control is both the inevitable demand of the progress in the economic structural reform and the objective need to create a good environment for the reform. The question of macroeconomic control in transforming the economic structural patterns is a very complicated one, involving a wide range of issues. I shall concentrate on discussing the following points:

#### 1. Runaway Macroeconomic Growth in the Initial Period of the Reform

In the initial stage of the economic structural reform, it is always necessary to stress relaxation of microeconomic controls; otherwise it will be difficult to initiate the reform. In invigorating the microeconomy, because the original macroeconomic control mechanism is partially out of order and because the new means of macroeconomic regulation cannot be immediately initiated and perfected, it is inevitable that, in the initial period of the reform, microeconomic activities cannot be brought into line with the macroeconomic demands, and that runaway macroeconomic growth may even occur in certain areas. If we carry out our work satisfactorily, we can keep the runaway macroeconomic growth within a narrow range and thus avoid great economic fluctuations. Completely avoiding runaway macroeconomic growth is the best of people's intentions. Therefore, how to deal with the runaway macroeconomic growth in the initial period of reform is a major issue of strategic importance that has a strong bearing on whether to push on with the reform, to bring it to a standstill, or to pull it back. On this issue we have four strategic alternatives:

First, being afraid of the runaway growth in the initial period of the reform, we do not have the courage to conduct the reform, particularly to invigorate the enterprises by introducing flexible policies. The result is that the reform of the economic structure as a whole is placed in a very difficult position. As we fail to take crucial steps in carrying out the reform, we can only patch up the original structure. Although there will not be any uncontrollable macroeconomic growth, the microeconomy is bereft of vitality and motivating force.

Second, we only stress invigorating the microeconomy by introducing flexible policies but fail to adopt effective measures to solve the question of runaway macroeconomic growth in some areas. If the situation goes on like this for a long time, it will lead to runaway growth of the macroeconomy as a whole and cause the national economy to lose its balance over a long period.

Third, being frightened out of our wits by the runaway macroeconomic growth in the initial period of the reform, we hurriedly put on the brakes and apply old methods in solving the question of runaway macroeconomic growth. As a result, we slip back into the old rut of the outdated structure, bringing the reform to a premature end.

Fourth, we promptly discover the problems and adopt effective measures to solve the question of runaway macroeconomic growth that occurs in the initial period of the reform and, at the same time, improve the macroeconomic control in order to create a favorable economic environment for, and to push on with, the reform.

In my view, we are adopting the fourth measure in our current reform.

The runaway macroeconomic growth that cannot be completely avoided in the initial period of the reform sets us thinking about the following problems. What is the cause of the runaway macroeconomic growth? How can we discover and promptly control it? As far as our country is concerned, the principal manifestations of the runaway macroeconomic growth in the initial period of the reform were as follows: Competing for higher growth rates led to an excessive scale of investment in fixed assets, an excessive growth of consumption funds, an excessive expansion of credit, and a drop in foreign exchange reserves. The principal cause for the runaway growth was investment. When investment begins to get out of control, more often than not people do not pay immediate attention to it. Therefore, with the development of uncontrollable investment, both the capital and goods will increasingly be in short supply. Moreover a considerable portion of the investment in fixed assets is directly transformed into consumption funds, thus sowing the seeds of expanding consumption funds. Furthermore, without a remarkable improvement in the investment results, the phenomenon of overheated economic growth that is liable to happen in the initial period of the reform gives a strong impetus to expanding investment, thus leading to an excessive extension of credit. Since our degree of self-sufficiency in supplying equipment and raw materials for production and construction is low, the imports of steel products and other raw materials rapidly increase. Our poor ability to earn foreign exchange has affected the balance between international receipts and payments, thus leading to a drop in foreign exchange reserves. The chain reaction in the runaway macroeconomic growth has a certain regularity. It tells us: If we overlook or fail to control investment, it will inevitably involve other aspects and cause difficulties for the ongoing reform. For this reason, in the initial period of the reform, we should pay particular attention to controlling the scope of investment. We should be able to see how things will develop from the first small beginnings in order to discover problems without delay, to take effective measures, and to strive to eliminate the runaway growth.

## 2. Targets of Macroeconomic Control

The targets of macroeconomic control can be divided into two levels: general target and specific targets. In economic and planning management, the general target of macroeconomic control can also be divided into three levels.

THE BALANCE BETWEEN AGGREGATE SOCIAL SUPPLY AND AGGREGATE SOCIAL DEMAND. The material form of aggregate social supply and aggregate social demand includes the supply of and the demand for the means of production and the means of consumption. The value form of aggregate supply and aggregate demand refers to the supply of and the demand for compensation funds, accumulation funds, and consumption funds. Whether a balance can be achieved between aggregate social supply and aggregate social demand involves the question of whether or not the proportions among the major branches of the national economy are correct and rational. This balance is the most inclusive target of macroeconomic control.

THE BALANCE BETWEEN THE AGGREGATE SUPPLY OF NATIONAL INCOME AND THE AGGREGATE DEMAND FOR ACCUMULATION AND CONSUMPTION. If no major breakthroughs have been made in technological advances and if the material consumption of social production is quite stable, the aggregate supply and aggregate demand will concentrate take the form of the aggregate supply of national income and the aggregate demand for accumulation and consumption. The so-called "excessive distribution" of national income that has occurred in our economy precisely refers to the fact that the aggregate demand for accumulation and consumption has exceeded the aggregate supply of national income. Under such circumstances, the economic development contains unstable factors and the general price level is on the rise. Particularly when the demands for both accumulation and consumption are excessive, the further development of the economy as a whole will be adversely affected.

THE BALANCE BETWEEN THE AGGREGATE SUPPLY OF NEWLY INCREASED NATIONAL INCOME AND THE AGGREGATE DEMAND FOR NEWLY INCREASED ACCUMULATION AND CONSUMPTION. When the original ratio between accumulation and consumption remains unchanged, the expansion of production and construction and the improvement of the people's living standards will depend on the supply of the newly increased national income. Given a basic balance between the aggregate demand for the newly increased accumulation and consumption and the aggregate supply of the newly increased national income, there is still a question of appropriately fixing the ratio between accumulation and consumption in the newly increased national income, there is still a question of appropriately fixing the ratio between accumulation and consumption in the newly increased national income. In some years, in an effort to speed up production and construction, it is necessary to raise the rate of accumulation in the newly increased national income. In other years, in an effort to considerably improve the people's living standards, it is necessary to appropriately lower the rate of accumulation and to raise the rate of consumption in the newly increased national income. Therefore, exercising macroeconomic control on the aggregate supply of the newly increased national income and the aggregate demand for the newly increased accumulation and consumption actually involves two questions: 1) controlling the aggregate demand for the newly increased accumulation and consumption so that it will not notably exceed the aggregate supply of the newly increased national income; and 2) appropriately fixing the ratio between accumulation and consumption in the newly increased national income. They affect each other. When the aggregate demand for the newly increased accumulation and consumption notably exceeds the aggregate supply of the newly increased national income, the foundation is fairly weak even though the ratio between accumulation and consumption as a whole is rational. Excessive demand often leads to an increased rate of accumulation and aggravates the imbalance between the aggregate supply of national income and the aggregate demand for accumulation and consumption.

The overall macroeconomic control at the three levels stated above, or the general target of macroeconomic control, can still be specifically divided into two levels in the course of economic and planning work: The first is the demand for and the supply of investment and consumption.



Controlling investment is the more important of the two. The second is the credit supply and the foreign exchange receipts and payments. If the demands for investment and consumption notably exceed their supply and if this cannot be adjusted through other channels, an excessive credit supply and even a drop in foreign exchange reserves will be inevitable. Only by distinguishing the two levels of macroeconomic control targets is it possible to get at the root of the matter and to more accurately grasp the focus of macroeconomic control.

The general target of macroeconomic control can be divided into specific targets which should be fulfilled at all levels of national economic management. Investment is an example. It is necessary to clarify which level should be responsible for controlling a certain amount of budgetary investment, which level should be responsible for controlling a certain amount of extrabudgetary investment, and which level should control other channels of investment. This is also the case with consumption funds. It is necessary to clearly define the scope and duty of controlling the total wage amount (including bonuses) of the enterprises and the expenses of government organizations and institutions at all levels. Only in this way can we genuinely exercise macroeconomic control and attain the desired results.

### 3. Overall Macroeconomic Control and Structural Adjustment

In the course of economic movement, an absolute balance between aggregate supply and aggregate demand is only accidental or exceptional. They are not balanced under most circumstances. There are two kinds of imbalances: One is serious imbalance and the other is imbalance resulting from the aggregate demand being slightly larger than the aggregate supply. The latter can be regarded as basically in balance, and can and should be achieved by overall macroeconomic control. The question is, in terms of economic and planning management, whether it is favorable to economic development for the aggregate demand to be slightly larger or smaller than the aggregate supply. Both the theory and practice of the socialist planned commodity economy call for the aggregate demand to be slightly smaller than the aggregate supply to facilitate the emergence of the buyer's market as a whole. However, it will still be difficult for us to achieve this target all at once. Judging from the current development and future trend of our economy, we shall probably have to take the following steps in order to achieve this target: First, we should tighten and improve macroeconomic control in order to ease the situation in which the aggregate demand notably exceeds the aggregate supply; second, we should strike a basic balance by making the aggregate supply slightly larger than the aggregate demand; and third, we should make the aggregate demand slightly smaller than the aggregate supply. For some time to come, we should first achieve a basic balance by making the aggregate demand slightly larger than the aggregate supply.

To execute the above measures, it is important to handle the relations between overall control and structural adjustment. If we control the total amount without carrying out structural adjustment and if we turn out unmarketable products, we shall not be able to meet the needs of production and construction or the needs of the people in their daily life. Maintaining an overall balance will lose its practical significance and it will be impossible to control the total amount in the end. On the other hand, if there is not an overall balance, it will also be difficult to have a rational structure. The most important thing in macroeconomic management is to know when to place the focus of our work on overall control and when to shift the focus of our work to structural adjustment.

In view of the serious imbalance of the macroeconomy as a whole since the second half of 1984, the central authorities have held four meetings of governors to concentrate on solving the question of overall control and have attained notable results. At present, the situation whereby the aggregate demand notably exceeds the aggregate supply has eased to some extent. In order to achieve the short-term macroeconomic control target of making the aggregate demand slightly larger than the aggregate supply and in order to place the balance between aggregate supply and aggregate demand on the basis of an increasingly rational structure, we should shift the focus of macroeconomic control to structural adjustment in good time.

Generally speaking, the structural adjustment is a big task. What links should we grasp in carrying out structural adjustment?

The first is the consumption pattern. The adjustment of the consumption pattern should be subordinated to the need to continuously meet the growing material and cultural needs of the people, but our efforts to meet the people's consumption needs and the changes in the consumption pattern are again subjected to the restrictions of the existing production structure. For this reason, we should guide the growth of consumption and the changes in the consumption pattern with correct policies in order to avoid a dislocation between the consumption pattern and the production structure. The production structure is closely linked to technological pattern and the geographical distribution of production. At present, the degree of adjustment in the production structure is primarily determined by the adjustment in investment pattern. In the big lineup of consumption pattern, production structure, technological pattern, regional distribution, and investment pattern, the investment pattern is a crucial link. The irrationality our investment pattern finds concentrated expression in: 1) Compared with the ordinary processing industry, the proportion of such basic industries as energy, transport, and raw materials and infrastructure in the total investment is rather small. 2) Compared with nonproductive investment, the proportion of productive investment is rather small, which adversely affects the sustained economic growth. 3) Compared with investment in capital construction, although investment in technological transformation has increased a little, the results have not been unsatisfactory. 4) The proportion of civil engineering in the investment in capital construction is too big. Although the state has taken steps (such as taxation) to restrict it, there has not been a tangible result. This has considerably contributed to a delay in the completion of construction projects.

Investment in capital construction accounts for a fairly large proportion of the overall investment. To improve the investment pattern, it is necessary to bring the scope of investment in capital construction under control and to adjust the investment pattern of capital construction. Our experience shows that the key to adjusting the capital construction pattern lies in making rational arrangements for construction projects. First, we should sort out the projects under construction and second, we should strictly control the number of new projects. In this way we can use our limited financial and material resources in projects yielding better economic results and urgently needed by the state. We can also organize our construction projects according to rational time limits to ensure their completion and commissioning on schedule, thus improving the investment results.

#### 4. Macroeconomic Regulatory Mechanisms

The first macroeconomic regulatory mechanism is the planning mechanism. A basic balance between aggregate supply and aggregate demand can be achieved through a planned balance of finance, credit, goods and materials the market, and foreign exchange. In the course of our economic activities, the dynamic equilibrium between aggregate supply and aggregate demand should also be adjusted through the planning mechanism as a whole. It is even more necessary for us to apply the planning mechanism in determining the growth rate of the national economy, guiding the consumption pattern, adjusting the production structure and the investment pattern, determining the development orientation of science and technology, and coordinating the development of the economy and society. Naturally, in order to bring into proper play the role of the planning mechanism, it is necessary to attach full importance to the market role, to integrate direct with indirect regulation, and to gradually make a transition to the predominance of indirect regulation. The planning mechanism is, after all, a principal means of macroeconomic regulation. Other macroeconomic regulatory mechanisms should coordinate with it and gradually develop into a perfect and sound macroeconomic regulatory system.

As a macroeconomic regulatory mechanism, the planning mechanism primarily relies on mandatory planning and guidance planning to give scope to its role. Reducing the scope of mandatory planning is not the responsibility of the planning organ at the central level alone. The local authorities and departments should also reduce the scope of mandatory planning issued to enterprises. In practicing mandatory planning, it is necessary to study how we can make the enterprises willingly accept mandatory plans. Beside persisting in the practice of who should issue mandatory plans and who is responsible for balancing and linking major production conditions, we should also try to allow the enterprises which manufacture products according to mandatory plans to reap proper benefits. For this reason, the prices should be appropriately set and the supply of energy and raw materials should be guaranteed. Moreover, it is necessary to stress the inviolability of mandatory planning and to ensure its fulfillment. The key to implementing guidance planning lies in its guidance role. Guidance planning should be managed and balanced at different levels. The state should give priority to and support the production of urgently needed goods with the materials, funds, and foreign exchange at its disposal. It should also gradually place guidance planning on the basis of economic contracts in order to stabilize the relations of cooperation and to ensure the implementation of the plans. With regard to those products which are vital to the national economy and the people's livelihood and for which there is a fairly notable contradiction between supply and demand, it is necessary to set floating prices. The enterprises should carry out production and operations in a flexible and vigorous manner. They should also be guided to fulfill the state plans and to meet the market needs.

The second macroeconomic regulatory mechanism is finance and credit. They serve as two gates for macroeconomic regulation and are important levers for regulating aggregate supply and aggregate demand, bringing the investment scope under control, and adjusting the investment pattern. Bringing into play the role of finance and credit in regulating the macroeconomy must be based on the state plans and closely integrate with the planning mechanism. Bank credit is an example. The banks must observe the credit plan formulated by the state. The plan for investment in fixed assets serves as an important basis for the banks in bringing investment scope under control and holding on to the investment orientation.



In short, it is necessary to pull planning, finance, and bank credit together in order to fulfill the target of the macroeconomic plan more satisfactorily.

The third macroeconomic regulatory mechanism is the market mechanism. The most important market mechanism is prices. Bringing into play the role of the market mechanism is, in the final analysis, bringing into play the regulatory role of prices. To apply the market mechanism in macroeconomic regulation, it is necessary to distinguish between different circumstances: it is necessary to distinguish between different circumstances: if we use prices to regulate the supply of and the demand for products that have a short production cycle and are in short supply, the result will be quite remarkable. If we use prices to regulate the supply of and the demand for products that have a long production cycle and are in short supply, the result will not be instantaneous. In regulating the relations between the supply of and demand for the latter products, it is even more necessary to apply the price mechanism in coordination with the planning mechanism. With regard to products which are in short supply as a result of the irrational distribution of resource, prices can play a bigger regulatory role.

The role of the market mechanism will gradually increase with the expansion of horizontal economic ties. Developing horizontal economic ties is the trend of the times and an objective demand of the planned commodity economy. In developing horizontal economic ties we can not only make up for the deficiencies of planning mechanism but also smash the trammels of departments and regions at different levels and further expose the contradictions in the existing structure, thus pointing out the specific direction for the reform. Naturally, in developing horizontal economic ties and bringing into play the role of the market mechanism, we do not exclude or weaken macroeconomic management through planning but raise new problems for the application of planning mechanism, such as how to manage investment in the course of developing horizontal economic ties so as not to exceed the fixed assets investment plan laid down by the state, how to do a good job of the comprehensive balance so as to avoid duplicate construction, and how to regulate the distribution of profits so that the sources of raw materials can derive benefits. We should pay close attention to the development of horizontal economic ties, study and solve new problems in the new structure, and strive to improve the macroeconomic regulatory measures in order to carry the reform to a new stage of development.

#### RENMIN RIBAO ON MACROECONOMIC MANAGEMENT

HK240750 Beijing RENMIN RIBAO in Chinese 18 Apr 86 p 5

[Article by Wang Zhuo: "An Important Question in Macroeconomic Management"]

[Text] A major problem that we should solve in conducting our macroeconomic management is to persist in striking a balance of the distribution of our national income and eliminate excessive distribution of our national income. In order to eliminate excessive distribution of our national income, it is necessary to find out in which links in the distribution of our national income and excessive distribution has taken place, and then take suitable measures to overcome it. Only by so doing can our efforts be fruitful. Judging by the situation in our country, the excessive distribution of our national income has mainly taken place in the following links:

1. Financial deficit. We obstinately wanted to do things beyond our limited financial resources and incurred a financial deficit to make up for the shortage of funds. This kind of financial deficit is a direct reflection of the excessive distribution of our national income.
2. Abnormal phenomena in the spheres of production and circulation has given rise to nominal revenue and actual expenditure for our finance. For example, in our production, waste and defective products produced by our industrial enterprises; products that have to be sold at reduced prices; the stock of components; parts, machinery and equipment that cannot be used; and bad debts have not been quickly taken into account to reduce the figure of our profits. As a result, some of our tax payments and profit delivery are based on overrated profits, but they are paid to the state's exchequer as real ones. However, as soon as they are paid, the state regards them as real revenue and takes them into consideration in arranging its expenditure. For another example, in our sphere of circulation, after an industrial enterprise has fulfilled its planned target for output value and sold its products to commercial enterprises, some of the products may be unmarketable and stockpiled in the warehouses of the commercial enterprises. As a result, their value cannot be realized. From the point of view of the industrial enterprise, its products have already been sold to the commercial enterprises and it has correspondingly paid taxes and delivered profits to the state. Therefore, the tax payments and profit delivery that our finance receives from an industrial enterprise on its unmarketable products is not real either. If this revenue is used for our financial expenditure, it will give rise to excessive distribution of our national income.
3. When prices rise, our enterprises can sell at higher prices raw materials they purchased or stored before the price rise and correspondingly increase their profits. However, this increase in profits is due to the fact that we have not raised the prices of the raw materials in our stock that were purchased at lower prices. From a macroeconomic point of view, the profits caused by such price rises are not real. When a portion of these profits is paid to our finance in the form of taxes and profit delivery, it gives rise to nominal revenue and actual expenditure and thus to excessive distribution of our national income.
4. Our bank issues currency as a source of loans for the purchase of agricultural and sideline products. In the 1950's when we had no money to purchase agricultural and sideline products, we issued banknotes and purchased materials and goods with these, but when the materials and goods were sold we would withdraw the banknotes. Moreover, as the value of the agricultural and sideline products rose after we processed them, we could withdraw more banknotes than we had issued; therefore, this would not give rise to inflation or excessive distribution of our national income. Things have, however, changed in the past few years. There have been bumper harvests and the stock of our agricultural and sideline products has increased, but the state has no corresponding reserve of funds for the increase in the stock of agricultural products. Therefore, there is no corresponding amount of commodities to withdraw a portion of the banknotes that we have issued for the purchases of agricultural and sideline products. A portion of the banknotes for which there are no commodities to withdraw are in the hands of our peasants, which can have a shocking impact on our market at any time; another portion of the banknotes has been deposited in our banks and lent by them to their customers and thus given rise to excessive expansion of demand. This is also a kind of excessive distribution of our national income.

5. We have issued excessive currency (in other words, noneconomic issuance of currency). On the one hand, there has been financial issuance of currency caused by our financial deficit; on the other hand, there has been the issuance of currency to make up the shortage of funds for loans, some of which has been invested in fixed assets. The latter kind of excessive issuance of currency may also give rise to excessive distribution of our national income.

6. Derivative deposits have caused excessive credit has also been a cause for excessive scale of lending. Expansion of credit has also been a cause for excessive distribution of our national income.

In short, under these circumstances, a fairly large portion of our national income is overstated. If we do not make an analysis of this and uphold that we spend as much as the revenue we collect, we may give rise to excessive distribution of our national income. Therefore, the state must exercise proper control over its spending. In order to avoid excessive distribution of our national income, we should not spend as much as we have according to the amount of revenue in our account book. In the past, we mainly adopted administrative means to control our spending and failed to pay enough attention to the overstatement of our national income. In the future, we must adopt the method of eliminating overstatement of our financial resources in order to overcome the abovementioned loopholes that cause excessive distribution of our national income and in order to ensure that there is a guarantee of the corresponding supply of materials and goods for every sum we spend. Only under this precondition can we implement the principle of doing as many things as our funds allow.

In order to achieve funds balance and in order to improve and intensify our macroeconomic management, we must grasp the following three aspects of our work: First, we should regulate the distribution of our national income through the mechanism of funds regulation and thus achieve a balance of funds. Funds balance consists of balance of financial funds, balance of credit funds, balance of foreign payments, and an overall balance of the three. In order to achieve this balance, we must persist in controlling our expenditure within the scope allowed by our revenue so that when we get more revenue, we can spend more, but when we get less revenue, we must spend less. We should not draw up a plan in which the budget expenditure exceeds the budget revenue and which thus causes excessive distribution of our national income.

Second, we should control our macroeconomic decisions in accordance with the principle of funds balance. In making any macroeconomic decision that requires spending of money, in the main the decision about the scale of investment in our fixed assets, we must observe the principle of funds balance no matter how urgently we need the spending from a long- or short-term point of view. We should not adopt the method of excessive distribution of our national income in order to pursue high accumulation, high input, and high growth rate. At the same time, concerning our system, we can consider the method of substituting control over financial resources for control by planned targets in controlling the scale of investment in fixed assets.

Third, we should implement a multilayer funds balance management system, in other words, a management system in which each unit "eats out of a separate kitchen" and is responsible for its own balance under the guidance of the state's policies and plans. The governments at various levels each collect its own revenue and manage its own spending at its respective level of macroeconomic management. By so doing, we will have the mechanism of demand self-readjustment as well as that of development self-readjustment. This also means that we should implement a management system in which all levels of government, central or local, control their expenditures within the scope allowed by their revenue. Only by so doing can we thoroughly cure the obstinate illness of excessive expansion of demand, which repeatedly emerged under our old system, and can we provide fundamental preconditions for the reform in our price system.



OFFICIALS TO GET MODERN AGRICULTURE TRAINING

OW220928 Beijing XINHUA in English 0701 GMT 22 Apr 86

[Text] Beijing, April 22 (XINHUA) -- All officials responsible for agricultural development at and above country level will be trained in the management of modern agriculture and rural commodity economy in about three years, beginning this year.

A circular issued recently by the Organization Department of the Chinese Communist Party Central Committee and the Ministry of Agriculture, Animal Husbandry and Fisheries described the comprehensive training of rural officials as a "pressing task" of strategic importance. The subjects taught include management science, rural commodity economy, management of rural industrial enterprises, agricultural systems engineering and computer science. The training will be conducive to their understanding of the overall economic situation, thus accelerating rural economic development and pushing ahead the economic reforms, the circular says.

Only a small number of officials at and above the county level have received systematic training in modern agricultural management, though more than 190,000 younger professionals have been promoted to leading posts in the past few years, the circular notes. Most of the newly promoted people were technical, scientific and educational personnel. The branches of the central institute for agricultural management officials in all the provinces, municipalities and autonomous regions have run many such training courses since the latter half of last year.

ZHAO ZIYANG VISITS SHANGHAI PLANTS, SCIENCE UNIT

OW160428 Beijing XINHUA Domestic Service in Chinese 0755 GMT 15 Apr 86

[By reporter Chen Maodi]

[Text] Shanghai, 15 April (XINHUA) -- During a recent visit to Shanghai's factories and science research institute, Premier Zhao Ziyang of the State Council expressed gratification with Shanghai's achievements in economic construction and science research during the Sixth 5-Year Plan, and urged workers and science researchers, to carry out reform thoroughly, scale the peak of science courageously, and work hard for the implementation of the Seventh 5-Year Plan.

Premier Zhao Ziyang arrived at the Shanghai petrochemical plant beside Hangzhou Wan directly via the Shanghai-Hangzhou highway, after concluding a visit to Zhejiang Province. That morning, in the warm sunshine, a springtime atmosphere pervaded the "petrochemical town." Accompanied by Shanghai Municipal CPC Committee Secretary Rui Xingwen, Premier Zhao visited the spinning workshop of the no 2 polyester fiber plant. The place had been an expanse of barren, alkaline land when Premier Zhao first visited the Shanghai petrochemical plant in July 1981. Today magnificent factory buildings have sprung up, and a Chinese-made short polyester fiber production line, with a production line, with a capacity of 15,000 metric tons, is running around the clock. After watching with rapt attention the whole production process of the line, Premier Zhao asked with a note of concern, "Are the designs of these facilities finalized? Can they replace their foreign counterparts?"

Zhou Dakui, chief engineer of the Shanghai petrochemical plant, replied: "after more improvements, they can replace their foreign counterparts." On hearing this, Premier Zhao exclaimed: "Good!" Afterwards, Premier Zhao proceeded by car to the newly-built industrial chemicals wharf. More than 100 freighters have docked at this modernized industrial chemicals wharf, which has two berths in the 5,000-metric ton range, and over \$500 million in foreign exchange have been earned since the wharf was put to use at the end of 1984. Premier Zhao surefootedly stepped onto a high spot on the wharf to take a look at Hangzhou Wan to the south and the "petrochemical town" to the north. When told that foreign vessels can now reach here directly from Wusong Kou to unload their cargoes, and that cargo backlogs have thus been reduced, Premier Zhao said approvingly: "The wharf serves a good purpose. It offers much convenience."

Premier Zhao also heard reports on the construction of the second-stage project and the preparations for the third-stage projects of the Shanghai petrochemical plant and voiced his views on how to use foreign funds and import equipment.

In the afternoon, Premier Zhao inspected the Shanghai boiler plant, the Shanghai heavy-duty machinery plant, the Shanghai electrical machinery plant, and the Shanghai steam turbine plant in the Minhang industrial development zone. He listened attentively to the leading cadres and technicians of these four plants as they spoke on how to expedite the development of China's power station, especially nuclear power station facilities. Premier Zhao urged them to fully exploit Shanghai's advantages in manufacturing power station facilities and compete with their counterparts in other parts of China to produce larger-capacity nuclear power station facilities. He emphatically noted: In order to boost competitiveness, it is necessary to improve product quality, eliminate or reduce reliance on the state for funds or foreign exchange, lower product prices, deliver the goods on schedule, and render fine service to customers.

The following morning, Premier Zhao visited the Chinese Academy of Sciences' Shanghai silicate research institute. As he viewed the products displayed in the institute's showroom, he was primed with relevant information. Bismuth germanate [she suan bi 7926 6808 6940] crystal is a substance for detecting high-energy particles and is widely used in high-energy physics, radiology, nuclear physics, geology, and petroleum exploration. The bismuth germanate crystal developed by the Shanghai silicate research institute is the world's longest and most even in structure. This has enabled China to lead the world in research on bismuth germanate crystals. After extending heartfelt congratulations on this great achievement, Premier Zhao learned with great interest and in great detail about research on the use of heat-resistant ceramics in motors. He stated: Since the application of motor-use ceramics is rewarding, and research on ceramics falls under the scope of new technological revolution, it is necessary to develop the best-quality ceramic substance for use in motors at an early date by rallying the relevant research forces, coordinating the institute's internal and external efforts, and repeatedly conducting experiments in a dauntless spirit.

While in Shanghai, Premier Zhao Ziyang also visited the newly-built knitting mill and the Sino-U.S. joint enterprise of the Shanghai-(Foxboro) Co., Ltd.

Huang Yicheng and Lin Zongtang, respectively vice ministers in charge of the State Planning Commission and the State Economic Commission, accompanied Premier Zhao on the inspection tour.

FUJIAN OFFICIAL PUNISHED FOR ABUSING AUTHORITY

OW250449 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 23 Apr 86

[Text] (Li Kezhong), former Standing Committee member of the Sanming City CPC Committee in Fujian, used his authority to help his son procure rolled steel, which had serious consequences. The Sanming City Economic Commission recently gave (Li Kezhong) a disciplinary warning. In this connection, the Fujian Provincial Discipline Inspection Commission recently issued a province-wide circular.

In October 1984, (Li Jian), son of (Li Kezhong), produced a letter of introduction -- the validity of which had expired -- from the Quanzhou City Construction Company, and bought a total of 42.65 tons of steel ingots with the approval of his father (Li Kezhong). (Li Jian) made a profit of more than 6,000 yuan by processing the ingots into 32 tons of rolled steel. Later he was sentenced to 3 years and 6 months in prison by a judicial organ.

The circular of the provincial Discipline Inspection Commission said: As a party member and a leading cadre, Comrade (Li Kezhong) used his authority and position to help his son carry out illegal activities, which had serious consequences. The circular pointed out: Right now, a handful of our cadres are turning a deaf ear to the illegal activities of their sons and daughters and letting them have their own ways. Some of them are even deliberately covering up the crimes committed by their sons and daughters. The provincial Discipline Inspection Commission called on the party committees and the discipline inspection commissions at all levels to carefully check cases that involve leading cadres using their authority to help their sons, daughters and spouses illegally buy or sell merchandise or smuggle goods to reap staggering profits, or to offer or accept bribes. Thorough investigations must be carried out from beginning to end, and all cases be seriously handled. It is not only necessary to pursue the liability of those who have violated law and discipline, but also investigate and affix the responsibility of the relevant party organization and personnel.

JIANGXI DEPUTY SECRETARY ON PARTY RECTIFICATION

OW241421 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 21 Apr 86

[Excerpts] Xu Qin, deputy secretary of the Jiangxi Provincial Party Committee and deputy leader of the group for guiding party rectification work of the provincial party committee, held a forum in Yiyang County from 18 to 19 April to learn about the situation of rural party rectification. He carried out a special investigation on the situation of party rectification in Chengfang Township in Yanshan County, Geyuan Township in Hengfend County, and Lieqiao Township in Yiyang County. He joined responsible comrades of party committees of the three counties in studying ways to do a still better job in rural party rectification. Xu Qin pointed out that based on the current situation in township-level party rectification and in view of the tasks facing the entire rural party rectification campaign, party organs at the county and township levels must do well in four aspects:

First, they must do well in township-level party rectification from the start to finish. Four requirements must be met in the township-level party rectification in the entire province: 1) education in party spirit and goals has been effectively carried out to enhance the party members' consciousness; 2) education in the party's current rural policy has been widely promoted, thereby deepening the reform; 3) major problems have been resolved to bring about a change for the better in party style; and 4) the ideological level and leadership ability of leading bodies have been enhanced, and a transition from stressing only production to emphasizing management and service has also been achieved.



Second, do a good job in preparing for the township-level party rectification. Third, attention must be paid to correctly understanding the policy. During the township-level party rectification, it is necessary to master the policy. On the one hand, problems must be solved, while on the other hand, enthusiasm of the grass root cadres must be protected to facilitate development of the reform. Fourth, it is necessary to strengthen leadership over township-level party rectification. 1) It is necessary to draw upon experience gained in major points. 2) It is necessary to pay attention to training key personnel. 3) It is necessary to publicize typical cases.

#### RUI XINGWEN ATTENDS SHANGHAI CPPCC MEETING

OW250035 Shanghai City Service in Mandarin 0100 GMT 23 Apr 86

[Excerpts] The Fifth Meeting of the Sixth Shanghai Municipal CPPCC Committee was ceremoniously held at the Fuxing Park Theater this morning. Li Guohao, chairman of the municipal CPPCC committee, presided. Also seated at the rostrum were vice chairmen of the municipal CPPCC Committee Mao Jingquan, Yang Shifa, Yang Kai, Zhao Chaogou, Xu Yifang, Ye Shuhua, Tang Junyuan, Dong Yinchu, Wu Wenqi, Zhou Bi, and Zhang Ruifang. Officials of the municipal CPC Committee, the municipal advisory commission, the municipal planning commission, the municipal People's Congress Standing Committee, and PLA units stationed in Shanghai, Rui Xingwen, Jiang Zemin, Huang Ju, Chen Guodong, Hu Lijiao, Wang Daohan, Zhang Dinghong, (Ping Changqi), (Fen Xinghong), Ni Tianzeng, and Xie Lijuan, attended the meeting. Liu Jingji, vice chairman of the CPPCC National Committee also attended the opening ceremony. The Standing Committee members of the municipal CPPCC Committee were also seated at the rostrum. Chairman Li Guohao delivered an opening speech.

Entrusted by the Standing Committee of the municipal CPPCC Committee, Vice Chairwoman Ye Shuhua made a work report at the meeting. She said that the central tasks in 1986 are to earnestly study and actively carry out the guidelines of the Fourth Session of the Sixth NPC and the Fourth Session of the Sixth CPPCC National Committee, and of the Fifth Municipal Party Congress. In order to accomplish the Seventh 5-Year Plan, we must do a good job in carrying out reforms, the open policy, and the revitalization of Shanghai. We must also make contributions to promoting the reunification of the motherland.

Vice Chairman Yang Kai made a report on the handling of motions since the Third Meeting of the Sixth Municipal CPPCC Committee. The CPPCC members heard a report by Vice Chairwoman Zhang Ruifang on the guidelines of the Fourth Session of the Sixth CPPCC National Committee. The meeting also adopted a resolution approving the resignations of eight Standing Committee members of the municipal CPPCC Committee.

#### SHANGHAI LAUNCHES GRASS ROOTS PARTY RECTIFICATION

OW241341 Shanghai JIEFANG RIBAO in Chinese 18 Apr 86 p 1

[By reporter Zhang Jian]

[Excerpts] Shanghai has launched a large-scale grass root party rectification campaign involving over 6,000 grass root party organs and 220,000 party members. The campaign, the largest of its kind since the party rectification was first launched in 1983, is an important one. Success in party rectification in these units (second batch in the second stage) is a key link in fulfilling the task of all-round party rectification. A few days ago, a responsible person of the municipal office for party rectification talked to this reporter on the peculiarities of units involved in the current rectification campaign and the requirements of rectification.

The responsible person said that the current batch of units undergoing party rectification can generally be classified into three groups. In the first group are the village and township organs, which shoulder the important tasks of developing the rural economy, organizing social activities, and building up the political power and the spiritual civilization, and are hence a very important tier of leadership in the rural areas. Included in the second group are large and medium-size backbone enterprises and scientific research and professional units, which are directly related to the implementation of scientific research, economic, and production plans under the Seventh 5-Year Plan. The third group consists of middle and primary schools, hospitals, small factories and shops, and other service units scattered in every corner of the society.

The responsible person said that based on the actual situation in grass root party rectification, the second batch of units in the second stage of party rectification are required to achieve distinct results in the following three aspects: Distinct results must be achieved in education in party spirit. They must integrate education in party spirit with that in the current situation, policy, and reform. One's attitude toward the current reform is a test of one's party spirit; and the ideal of a party member is to have faith in the reform. While actively joining in the reform, all party members, particularly party-member cadres and members of leading bodies, must resist corrosion by the bourgeoisie's decadent ideas, strengthen their party spirit, and bring into play the vanguard and model role of a communist.

Distinct results must be achieved in correcting the party style. 1) It is necessary to regard correcting the party style as a very important task. While carrying out party rectification, each and every unit must show a marked improvement in its party style and strive to bring about a fundamental change for the better in party style. 2) It is necessary to really improve relations between cadres and the masses. Party-member cadres must never abuse their authority for personal gain, compete with the masses for profit, or encroach on the interests of the masses, particularly in housing and bonus distribution, wages, and promotion. Instead, they must strictly enforce regulations and educate the masses with their own model deeds. 3) It is necessary to persist in the policy of correcting mistakes while carrying out party rectification and make a genuine effort to solve problems which anger the masses most and which are really urgent. 4) It is necessary to achieve breakthroughs in investigating and handling specific cases, particularly important and key cases.

Distinct results must be achieved in enhancing the level of the contingent of party members, particularly the quality of the cadre contingent. Every party member must make strict demands on himself in accordance with the standards for a party member and play a vanguard and model role.

The responsible person said that during party rectification, it is necessary to strictly follow the mass line. At the beginning of each party rectification phase, the campaign must be publicly announced. During each phase of the campaign, the masses must be informed of the situation by various means to let them understand the situation. The masses' views concerning the rectification and on correcting mistakes must be attentively listened to. At the end of the rectification campaign, mass forums, including forums of social departments directly related to the campaign, must be held to hear their views, consolidate and carry forward the achievements of party rectification, and correct deficiencies. Concerning problems uncovered during the grass root party rectification, higher authorities must improve their leadership work, style, and method on their own initiative and solve problems encountered in structural reform and in implementing the policy.

HEILONGJIANG RELAXES ECONOMIC COOPERATION POLICIES

SK220815 Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 21 Apr 86

[Text] At today's provincial conference on the economic structural reform, Governor Hou Jie pointed out: This year, our province will regard great lateral economic cooperation as the focal point of the economic structural reform, and will relax the policies in six fields to promote such cooperation.

First, we will relax the policies on investment. Within the prescribed scale of fixed assets investment, our province will set aside a certain amount of money every year, which will be increased year after year, to be used as subsidies for cooperation in the production of products. From now on, no new project will be started as long as the supply of products can satisfy demands through lateral cooperation.

Second, we will relax the policies on tax collection. No duplicate taxes on the products produced by the units of economic associations will be levied by tax departments any more, joint ventures will repay their loans and share their profits before paying taxes, and no taxes will be levied on the raw materials which are distributed among the units of the associations and which are not for sale.

Third, we will relax the policies on finance. Finance departments should actively support the development of economic cooperation with funds, coordinate with enterprises to do a good job in fund collection and movement of capital, allow inter-regional, intertrade, and interdepartmental use of the fixed assets investment, and loans used as circulating funds should be increased for the newly expanded production capacity of an association.

Fourth, we will relax the policies on industrial and commercial administration. Newly organized associations are permitted to make registration, and enterprises which join the associations are permitted to register as branch plants.

Fifth, the authority to examine and approve economic associations will be clearly defined. Economic associations should be categorized in a unified manner according to their trades, and should be examined and approved by the economic coordination departments of the areas where they belong.

Sixth, we will relax the policies on economic transportation. Railway and transportation departments should include in their plans and make active arrangements for the transportation of the materials needed in the cooperation of the units which carry out cooperation, and the products to be mutually supplied by the units of the associations. Other departments, such as planning, statistical, supplies, financial, price, and industrial and commercial departments, should formulate provisional administrative regulations in line with the actual situation of our province to provide convenience and services to the production and operation of economic associations.

LIAONING: DALIAN CPC NOTES SERIOUS ECONOMIC CRIME

SK230524 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 22 Apr 86

[Text] The Discipline Inspection Commission of the Dalian City CPC Committee circulated a notice today on respectively inflicting severe punishment on 22 party and government cadres who acquiesced in, supported, connived, or engaged in serious economic criminal activities relating to (Liu Yueshan), general manager of the Dalian Beifang Limited Company.



(Liu Yueshan), general manager of the Dalian Beifang Limited Company, had been sentenced to 10 years' imprisonment for joining two counterrevolutionary groups and plotting to escape to other places in groups. After having been released upon completion of the sentence, he seized the opportunity of conducting reform to gain a business licence by falsely reporting to the relevant units that he had funds to run a business, and then organized an individual owned company to engage in speculation and swindling activities. He reaped staggering profits, totaling 872,000 yuan, by illegally buying and selling materials scrapped by the state.

(Liu Yueshan) adopted the means of using money to buy power, and drew over to his side more than 20 party and government cadres by giving gifts and bribes, totaling 100,000 yuan, to them. He lured these cadres by arranging full-time or part-time jobs with high salaries for their relatives, lending cadres money to buy shares, and sending cadres' children to university with his own money. Thus, these party and government cadres went all out to work for him. Some party and government cadres who forgot their integrity under the temptation of personal gain intentionally revealed information to him, and helped him find ways to engage in speculation and profiteering.

With these cadres' assistance, he fished for a huge sum of loans. After his plots were exposed, some cadres even masterminded schemes for him, to the neglect of party discipline and state law. As a result, they brought about obstacles and damage to work in other fields.

So far, this case has been thoroughly investigated and (Liu Yueshan) has been arrested. Four party and government cadres who shielded (Liu Yueshan's) criminal activities were respectively expelled from the party, removed from their posts, arrested according to the law, and held in custody. Twelve party-member cadres and six nonparty cadres who supported, connived with, and themselves engaged in illegal criminal activities were respectively punished according to party and administrative discipline.

#### NORTHEAST ECONOMIC ZONE HOLDS JOINT CONFERENCE

Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 23 Apr 86

[Text] A joint conference participated in by the mayors of four cities in the three northeastern provinces -- Shenyang and Dalian Cities, Liaoning Province; Changchun City, Jilin Province; and Harbin City, Heilongjiang Province -- and by the mayor of Chifeng City, Nei Monggol Autonomous Region, as well as by the heads of three leagues in Nei Monggol Autonomous Region -- Jirem, Xingan, and Hulun Buir Leagues -- opened in Shenyang City on 23 April.

The five cities and three leagues are under the jurisdiction of the northeast economic zone. The joint conference is aimed at further carrying out cooperation and coordination on precision technology, enhancing lateral economic associations, and better bringing into play the economic role of the central cities in order to accelerate the pace of developing and building the minority areas and to promote the fulfillment of the strategic targets of the northeast economic zone, which were set for economic development.

Attending the joint conference were leading comrades from the State Economic Commission, the State Commission for Restructuring the Economic System, the planning office of the northeast economic zone, and the provincial People's Government.

QINGHAI PEOPLE'S CONGRESS SESSION OPENS 23 APR

HK240155 Xining Qinghai Provincial Service in Mandarin 2330 GMT 23 Apr 86

[Excerpts] The Fourth Session of the Sixth Provincial People's Congress opened in Xining on 23 April. The opening ceremony was attended by responsible comrades of the party, government, and Army in the province including Yin Kesheng, Song Ruixiang, Han Yingxuan, Zhao Haifeng, and Shen Ling; and Zhang Guosheng, member of the CPPCC Standing Committee. Song Lin presided at the ceremony.

Xabchung Garbo delivered a report conveying the spirit of the Fourth Session of the Sixth NPC. The report was in three parts: 1) outline of proceedings at the session; 2) the Seventh 5-Year Plan; 3) the situation in wage and price reforms and in financial and foreign trade work.

The session held its second full gathering in the afternoon. Song Lin presided. Governor Song Ruixiang delivered a report on the draft for the province's seventh 5-year national economic and social development plan. The report was in four parts: 1) on the implementation of the Sixth 5-Year Plan; 2) the basic guiding principles and main tasks of the Seventh 5-Year Plan; 3) economic structural reform during the Seventh 5-Year Plan; 4) take a thoroughly sound first step in the Seventh 5-Year Plan.

He said that the strategic idea on economic development in Qinghai during the Seventh 5-Year Plan is to reform, open up, eliminate poverty, make the people rich, exploit resources, and prepare for the shift. He called on the people of all nationalities in the province and the cadres, workers, peasants, herdsmen, intellectuals, PLA commanders and fighters, public security cadres and policemen, the democratic parties, mass organizations, and non-party democratic figures, and all laborers and patriots who love the socialist motherland to carry forward the spirit of the foolish old man and actively plunge into the great practice of the Seventh 5-Year Plan under the correct leadership of the CPC. They should translate the blueprint of the plan into reality.

Governor Song Ruixiang pointed out in his report that during the Sixth 5-Year Plan, under the leadership of the CPC Central Committee, the State Council, and the Qinghai Provincial CPC Committee, the government at all levels seriously implemented the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee. Thanks to the hard work of the people of all nationalities, we victoriously accomplished the Sixth 5-Year Plan. This was one of the best periods of vigorous economic and social development in Qinghai since the founding of the country.

He said that during the period of the plan, total social output value rose at an annual average of 8 percent, industrial and agricultural output value rose at an annual average of 6.3 percent, and national income rose at an annual average of 6.3 percent, and national income rose at an annual average of 8.1 percent. These figures were all higher than those for the Fifth 5-Year Plan.

SHAANXI: EXAMINING CADRES' POLITICAL QUALITIES URGED

HK230237 Xian Shaanxi Provincial Service in Mandarin 0200 GMT 23 Apr 86

[Text] Issue No 4 of ZHIBU SHENGHUO [PARTY BRANCH LIFE] carries a commentary entitled "It Is Essential To Seriously Examine People's Political Qualities when Appointing Them." The article says that we must pay attention to political qualities when selecting cadres. This is a principle long ago laid down by the Central Committee for appointing cadres to posts. However, some places and units fail to seriously examine cadres' political qualities when appointing them.

Some cadres, not long after promotion, use their powers to engage in malpractices, and some are retained in important posts even though they violate law and discipline. It is therefore, essential to stress that in selecting cadres in the future, we must unswervingly practice the principle of ability and political integrity and seriously examine their political qualities. There must not be the slightest slackness or muddled thinking in this respect.

#### SHAANXI DEFENSE INDUSTRY PRODUCTION TO BE SHIFTED

HK240159 Xian Shaanxi Provincial Service in Mandarin 0030 GMT 24 Apr 86

[Excerpts] A provincial conference on switching the defense industry to producing civilian goods while ensuring defense needs opened in Xian yesterday. The main tasks of the meeting are to implement the instructions of the central authorities on establishing a new setup integrating defense and civilian production and to organize lateral ties between defense industry enterprises and between defense and civilian enterprises, centered on developing and producing civilian goods, so as to take full advantage of the strong points in technology and talent in the province's defense industry system and contribute to stimulating the province's economy.

Vice Governor Zeng Shenda pointed out in a speech at the opening of the meeting that in recent years the defense industry enterprises and research units in Shaanxi have done a lot of work in developing civilian production and in promoting lateral ties with civilian enterprises. The momentum of this development is good. However, we are still far from taking full advantage of the strong points of the defense industry system. The economic indices in this system lag behind those in the civilian industries. The fixed assets and the number of staff and workers in the defense industry system respectively account for 25 percent and 20 percent of the totals for enterprises under ownership by the whole people in Shaanxi, but the output value of the system accounts for less than 10 percent of the total. Output value per 100 yuan of original investment in fixed assets is two-thirds less than in local enterprises, while the profit and tax per 100 yuan of output value is only half the provincial average.

Analyzing the reasons for these discrepancies, Zeng Shenda said: Due to the closed-style production operations systems which has been followed over a long period, plus the influence of traditional concepts, the defense industry enterprises are still shackled by the conventions of "large and complete" or "small and complete." They have been unable to get going in promoting lateral ties with local civilian enterprises, and their development of civilian goods output does not meet requirements.

Zeng Shenda pointed out that developing lateral ties is the essential way to follow in order to implement the principle of integrating defense and civilian production. The defense industry system must eliminate the concept of ownership by departments, in which central departments are separated from the localities, streamline the administration and delegate powers to the enterprises, and create conditions in every way for the enterprise to promote lateral ties.

The Xian Aircraft Manufacturing Company, the state-owned 262 plant, and the 210 research center of the Ministry of Astronautics introduced their experiences in developing civilian production and promoting lateral economic ties. Vice Governor Zhang Bin presided at the conference.



TA KUNG PAO ANALYZES RESULTS OF U.S. RAID ON LIBYA

HK241015 Hong Kong TA KUNG PAO in English 24-30 Apr 86 p 2

["The Past Week" column]

[Text] The Libyan Crisis

Has the US air strike on Libya succeeded in bringing 'closer a safer and more secure world for decent men and women,' as President Ronald Reagan assured his fellow Americans? The string of terrorist hits and threats during the attacks in strife-torn Lebanon, the Sudan, Nigeria, the American base on the island of Lampedusa south of Sicily, at London's Heathrow Airport, and even the high seat of the UN Security Council, confirmed worldwide fears to the contrary.

Having failed to bring 'the mad dog of the Mideast' (an acrimonious sobriquet bestowed by President Reagan on Colonel Mu'ammarr al-Qadhdhafi) to terms, Washington is prepared to strike a third time. Coming from US Vice-President George Bush, the warning echoes the statement issued by President Reagan on the morning after US F-111 bombers destroyed [his] headquarters and house in Tripoli and the Libyan missile base at Benghazi that 'if necessary we'll do it again'.

Indeed, what worries the world at large, except for the three or four countries which conspicuously supported the recent US shows of military might, is exactly whether a third or even a fourth punitive attack on Libya would make the world safer and more secure as hoped. Certainly, the cries of vengeance from the Arab world do not attest to this. Stronger Muslim Arab countries like Iran and Syria will not pass off injuries done to their brother Al-Qadhdhafi with their eyes shut, and then who knows what might happen to other disco clubs frequented by US servicemen in Europe or the American and British hostages still held in Lebanon.

The 15 April raid on Libya sparked the greatest post-war wave of anti-American protests in Europe. Even in Britain, the only European country to sanction the US raid, Conservative backbenchers joined the opposition in reproaching Prime Minister Margaret Thatcher for allowing President Reagan to use US bases in UK as a springboard for his raid on Tripoli. Two former prime ministers, Conservative Edward Heath and former Labour leader James Callaghan, told the Iron Lady bluntly that they would have turned the US request down. An opinion poll showed that 66 percent of Britons were against the bombing of Libya and 71 percent considered Mrs Thatcher's support of the US strike a misguided decision. It was widely felt that Britain's complicity in the US reprisal left Britons at home and abroad in peril.

However, it would be wrong to attribute Europe's reservations about the US raid to fear of terrorism alone as some US newspapers have alleged. Contrasting Mrs Thatcher's 'magnificent' stand with a 'fearful France', a hardline editorial published in the ASIAN WALL STREET JOURNAL even blamed the missing F-111 less on the 'Libyan defences' than 'the burdens imposed by the French decision' which denied airspace to the US fighter-bombers. In fact, the French decision was jointly made by Socialist President Mitterrand and Conservative Prime Minister Chirac.

The reasons behind the unpopularity in Western Europe of the US strike are much more complex than fear of international terrorism, although Europe stands as the most vulnerable victim in the vicious cycle of US-Libyan confrontation. More important considerations concern matters of principle and keeping the peace in Europe. Other reasons may be found in Europe's dependence on Libyan oil and the growing undercurrent of European unity against US control in defence as well as economic affairs.

## Gorbachev's 'New Initiative'

If driving a wedge between Western Europe and the Soviet bloc was in the back of the mind of Mr Reagan's aides who planned the raid, the response from European capitals certainly showed little to indicate that European leaders are in a mood to oblige Washington's large interests in this respect.

In a typical statement over the weekend, Italian Prime Minister Craxi called on Libya to stop terrorism and the superpowers to begin a new era of peaceful negotiation. The call falls interestingly in line with the 'new initiative' unveiled by Soviet leader Mikhail S. Gorbachev at the East German Party Congress in which he called on the US and the Soviet Union to reduce their troops and tactical aircraft stationed in Europe. 'Do not believe the mere figments of the imagination about the aggressiveness of the Soviet Union!' he told the Congress. 'Never and under no circumstances will our country start a war against Western Europe if we and our alliance partners are not the object of an assault by NATO! I repeat: Never!'

It is true that the Soviet leader also said that the US air strike on Libya was part of a 'militaristic and aggressive' policy that could damage relations between the Soviet Union and the US. But the main thrust of the speech was unmistakably to keep the Soviet-US dialogue open.

Although this message was addressed to Washington, obviously, it is also meant to strike a concordant note in Western Europe. Judging this move against other proposals advanced by Moscow since Gorbachev assumed the top office, it is clear that the Soviet Union has made a major policy shift away from the longstanding Soviet-US confrontation. Other recent overtures from Moscow have been a unilateral moratorium on nuclear tests and a proposed summit meeting to discuss the reduction of nuclear armaments. Analysts note that this is dictated by the domestic economic reforms which Mr Gorbachev and his new men seem to be pushing in earnest.

The recent US raid on Libya has left Moscow with no choice but to call off the planned meeting of US and Soviet foreign ministers to discuss the date and agenda of the second Reagan-Gorbachev summit scheduled for this year. But this should not be construed as cancellation of the summit itself as arrangements can still be made via other avenues if indeed the shelved foreign ministers meeting is not mooted again at some future date.

Thus the ball is in Washington's court again in high Soviet-US diplomacy in which Mr Reagan has the options of either smiling back at Mr Gorbachev's recent overture, which seems unlikely or to continue unperturbed with his "stars war" program to keep the Soviet economy haplessly tied to the enormous but wasteful defence machine, which seems to be the more likely preoccupation of the American president. But for the present, it is true that Mr Gorbachev has adroitly driven a wedge in trans-Atlantic relations by involving the US-Libyan crisis.

WEN WEI PO REPORTS TANG WENSHENG'S NEW POST

HK240440 Hong Kong WEN WEI PO in Chinese 24 Apr 86 p 2

[Text] Beijing, 23 Apr -- Wang Hairong and Tang Wensheng (Nancy Tang) were two active figures in the diplomatic circles during the Great Cultural Revolution. It has been learned that Tang Wensheng recently left the English-language CHINA DAILY and took a new post at the Foreign Affairs Bureau of the Ministry of Railways. She applied for the job transfer herself, and the application was approved by the leaders concerned. A few years ago, Wang Hairong was transferred to work as a deputy director of an advisory group in the Foreign Ministry. Her post has not been changed to date.

PERSONNEL CHANGES IN BEIJING PRESS CIRCLES VIEWED

HK220053 Hong Kong KUANG CHIAO CHING in Chinese No 163, 16 Apr 86 pp 10-11

[Article by Lu Wen [6424 3080]: "Major Reshuffle in Beijing Press Circles"]

[Text] Liu Aizhi, deputy editor-in-chief of GUANGMING RIBAO, was removed from office, and Du Daozheng, the chief editor, will retire. The leading body of RENMIN RIBAO has been reshuffled. Ding Xiangqi and Pang Bingan have been appointed deputy director-generals of XINHUA NEWS AGENCY. [preceding passage published in boldface]

This reporter went to Beijing to gather news while the NPC was in session and learned from counterparts there quite a few things about the press circles. The leading bodies of various large mass media organizations in Beijing were being reorganized; some had already been promulgated and some were still awaiting new appointments. Some were normal replacements of the old by the new, but some might be for other reasons.

**Qian Liren Takes His Turn on Duty Smoothly**

People in Hong Kong have attached greater attention to the new appointments of the editor-in-chief and deputy editor-in-chief of RENMIN RIBAO and some papers have already carried reports on this. This time when I was in Beijing, I learned some more details, which might be helpful to our readers.

At the end of last year, Qian Liren, the then head of the CPC Central Committee's International Liaison Department, replaced Qin Chuan and became director of RENMIN RIBAO. On the day this was reported, there were many comments by Hong Kong papers and journals. Some said that this was a "sign" of "restriction" and some held that this was a result of the "factual struggles." In its first issue this year, KUANG CHIAO CHING disclosed: "The CPC Central Committee Secretariat decided last summer that both the director and editor-in-chief of RENMIN RIBAO should be replaced by younger people. However, in order not to affect the current work, one of the two leaders, Qin Chuan and Li Zhuang, will remain in his post for a period of time." "In November last year, the Organizational Department CPC Central Committee sent some people to the general office of this paper to solicit opinions. Later it was decided that Li would remain at his post and Qin would leave first." Judging from what I was told by some veteran reporters in Beijing, this was really the background of Qin Chuan's removal from office. The report by KUANG CHIAO CHING was quick and accurate.

After Hu Jiwei and Wang Ruoshui were removed from office at the beginning of the "elimination of spiritual pollution," the leading body of RENMIN RIBAO was always incomplete. When Qian Liren took charge of the work of RENMIN RIBAO, he had only two old colleagues: Li Zhuang, the editor-in-chief who remained at his post for the time being, and Tan Wenru, deputy editor-in-chief who took care of the overseas edition. So, for a new director who had never run a newspaper, establishing a perfect leading body was certainly an overriding task in order to improve the newspaper and its inefficient internal work. It was said that as soon as Qian Liren took up his post at the RENMIN RIBAO office, he visited various sections and talked with the staff members. His purpose was to familiarize himself with the work and, as was reckoned, to look for qualified persons for the new leading body.

Now, more than 3 months have passed, and Qian Liren may have grasped the basic situation of the office. Li Zhuang, who is already 67 and has remained in his office, can also retire. The new leading body has thus been established.



### Major Reshuffle in the Leading Body of RENMIN RIBAO

In its January issue, KUANG CHIAO CHING quoted an old editor of RENMIN RIBAO: The editor-in-chief and deputy editor-in-chief will be selected from among the staff of RENMIN RIBAO. Facts prove that this is also correct.

According to a reporter in Beijing, soon after Qian Liren took up his post, he announced at a meeting that he would not transfer any people from outside to the RENMIN RIBAO general office, except for a driver, who lived in the same building, in order to make transport convenient. The staff members were all pleased to hear this, because there were many experienced and qualified editors and reporters in this office. Quite a few RENMIN RIBAO staff who had been transferred to other news-reporting units in Beijing or elsewhere became leaders of these units and had been doing an excellent job. In the past, however, whenever the leading body was reorganized, the new leaders were transferred in from other units rather than selected from inside. The working staff had many complaints about this prejudice that "monks from other places recite scriptures better." This time, just as he had announced, Director Qian transferred no one in from other units to the new leading body. So, the staff members are all pleased with this.

### "Roommate Friendship" Between Tan Wenrui and Cha Liang-yung

Tan Wenrui, former deputy editor-in-chief and the newly-appointed editor-in-chief of RENMIN, was once an experienced editor of a Hong Kong journal, using a pen-name of "Chi Pei-ou" [3069 0554 0260] when publishing satirical poems. KUANG CHIAO CHING already had a report on this in an earlier issue. This time I was also told that there is a "roommate friendship" between this new editor-in-chief and Cha Liang-yung, a well-known figure in Hong Kong's press circles. It so happened that both of them once worked for the Hong Kong TAO KUNG PAO and both families lived together in the same flat for a period of time, hence the deep friendship. If this is true, some day when Tan has an opportunity to visit Hong Kong, Cha might as well ask him to stay in his home for a few days so that they can talk about swordsmen, Buddhist scripture, and Weiqi again.

The three newly-appointed deputy editors-in-chief, Lu Chaoqi, Fan Rongkang, and Li Renchen, are completely new to Hong Kong people. Friends in the Beijing press circles told me that Lu and Fan, who have worked on RENMIN RIBAO for more than 30 years, graduated from universities before the founding of the PRC. Lu Chaoqi was originally director of the general editorial board. He was a reporter in his early years and wrote some commentaries. Over the past 20 years or so, he has been in charge of the night shift. He is a good editor. Fan Rongkang, who was originally the director of the commentary department, always thinks clearly and writes quickly. He has written many commentaries and is quite experienced in this field. XINWEN ZHANXIAN is now serializing his article on his experience in writing commentaries. Li Renchen is a new editor, just a little over 40. He has not worked in this office long, but since he has an exceptional literary talent and is very diligent, he was soon promoted to the post of deputy director of the commentary department. The four editors-in-chief, old, middle-aged, and young, are all experts in running a newspaper. Undoubtedly, for Director Qian, who is a new man in the press circles, this new leading body is reliable.

### "What Sharp Ears Hong Kong Reporters Have"

I would like to mention an interesting episode here. The working personnel of RENMIN RIBAO did not learn of the appointments of the new editor-in-chief and deputy editors-in-chief as soon as some Hong Kong reporters did.

On 24 March, a Hong Kong paper had already reported that Tan Wenrui had replaced Li Zhuang and become editor-in-chief of RENMIN RIBAO. On 25 March, another paper continued to disclose the names of the four editors-in-chief. According to my friends in the Beijing press circles, the document about this new appointment was issued on 22 March, a Saturday, and when it reached the RENMIN RIBAO office, only some people concerned were informed. It was not made known to all working personnel until Monday afternoon, 24 March. No wonder some people said: "What sharp ears Hong Kong reporters have!"

#### The Director of JINGJI RIBAO Suddenly Changed

The appointment of the members of RENMIN RIBAO's new leading body was something the Beijing press circles expected. However, the change of the director at JINGJI RIBAO surprised many people.

According to recent information, JINGJI RIBAO Director An Gang has been removed from office and replaced by Fan Jingyi, former director of the Foreign Language Publishing Bureau. People who know the inside story said that there was a quake in JINGJI RIBAO at the end of last year. Some people submitted complaint letters against An Gang to the higher authorities and the atmosphere became rather tense when the Central Discipline Inspection Commission sent people to investigate the matter. However, An Gang was still in his post when a reorganization was carried out in the leading body at the beginning of this year. It seemed that he had not gotten into trouble. But not long after that, his removal was announced, and An Gang was replaced by a new director transferred in from the outside. It was said that he will be appointed to another post. There must be some other reason that this is unknown to the common people.

#### A New Director Who Was Once a "Rightist"

Some people held that appointing Fan Jingyi director of JINGJI RIBAO is a proper arrangement. Fan studied in Shanghai's St John's University in his early years. After graduation, he worked at DONGBEI RIBAO in the early 1950's and was transferred to LIAONING RIBAO later when the large administrative areas were abolished. He is open-hearted and very straightforward in what he says. For this reason, he became a "rightist" in 1957 and was then sent to the countryside to do manual labor. He resumed his work at LIAONING RIBAO later and, after his case was redressed, he became a leader in the LIAONING RIBAO office. Several years ago he was transferred to the Foreign Language Publishing Bureau and was head of the bureau, but he said that he was interested in running a newspaper. Thus, we may say that he had his wish fulfilled when he returned to the office of a newspaper this time. It was also said that last year, when the Foreign Language Publishing Bureau decided to publish overseas editions of two periodicals, Fan came to Hong Kong to host a cocktail party and carry out an investigation and study. JINGJI RIBAO has been distributed in Hong Kong for a long time and has a special column on Hong Kong's economy. After Director Fan assumes office, it can be expected that JINGJI RIBAO will have more contacts with Hong Kong.

#### Hearsay About Reorganization of the Leading Body of GUANGMING RIBAO

People in the Beijing press circles are also talking about the reorganization of the leading body of GUANGMING RIBAO. Liu Aizhi, deputy editor-in-chief of this paper, has been removed from office due to involvement in an economic case. Recently, people said that Du Daozheng, the editor-in-chief, will soon retire, and there will also be some changes in the leading body, but final decisions have not yet been made. Whether or not this is an effort to make the leading body younger or a further development in the case of Liu Aizhi, I dare not speculate.

## XINHUA News Agency Uses Experts in International Reporting

Other sources said that there will also be changes in the leading members of the XINHUA news agency. Two deputy directors-generals, being overage, will retire. One is Feng Jian, an old reporter who has engaged in this work for dozens of years and has always been regarded as a capable assistant to Director Mu Qing. The other is Yang Jiaxiang, a cadre transferred in from the army, who was originally in charge of administrative affairs. The two new deputy directors-general are Ding Xiangqi [0002 5046 6386], former resident correspondent in Yugoslavia, and Pang Bingan [1690 3521 1344], former resident correspondent in Latin America. Appointing experts of international reporting to leading posts is possibly a measure to make XINHUA news agency a real news agency with world influence.

It is said that certain personnel changes will also take place in some major papers and journals in Beijing. According to some friends in press circles, this is chiefly a normal arrangement to make the leading bodies younger, which will become a regular practice in the future.

## "Ageing" of the Leading Body of All-China Journalists' Association

The leading bodies of Beijing's newspapers and journals are being made younger. However, that of the All-China Journalists' Association may continue to be in a situation of "ageing." The fact is that in the past, the leaders of this organization were all chief leaders of various journalists organizations. Over the past few years, more and more leaders who are overaged have retired from these journalists organizations but retained their posts in the journalists' association. On the mainland, this is probably a good method to enable retired leading cadres to continue to take part in social activities. However, when young journalists from Hong Kong find that there are more and more gray-haired old people in the leading body of the journalists' association, they might be flabbergasted!

PART I: FOREIGN TRADE, INVESTMENT POLICY, DETAILED

HK230956 Hong Kong WEN WEI PO in Chinese 17 Apr 86 p 10

[Article by Wu Chao, [2976 6389], consultant researcher and deputy head of the Foreign Economic Relations Group of the Economic, Technological, and Social Development Research Center of the State Council: "China's Policy on Absorbing Direct Investment" -- first installment -- This article, slightly abridged by WEN WEI PO, was originally a speech at a symposium on "China's Foreign Trade and Investment"]

## [Text] The Rapid Development of the Enterprises Invested in by Foreign Businessmen

Since implementing the policy of opening up in 1979, our country has made great achievements in absorbing foreign funds to establish joint ventures, cooperative enterprises, and enterprises with exclusive foreign investment (hereinafter all referred to as foreign-invested enterprises). By the end of 1985, we had approved and signed agreements with foreign businessmen on establishing 2,301 joint ventures with a total of US\$3.377 billion of contracted investment and a total of US\$1.03 billion of actual expenditure; 3,756 cooperative enterprises (or cooperative projects) with a total of US\$8.103 billion of contracted investment and a total of US\$1.633 billion of actual expenditure; and 120 enterprises with exclusive foreign investment, whose total amount of investment reached US\$0.517 billion and actual expenditure reached US\$0.13 billion. If the three kinds of foreign-invested enterprises are added together, there are 6,177 foreign-invested enterprises, with a total of \$11.998 billion of contracted investment and a total of \$2.792 billion of actual expenditure. [figures as published]



The establishment of foreign-invested enterprises has to a certain extent counteracted our country's lack of construction funds, imported some advanced technology and absorbed some scientific enterprise management and administrative methods and the experiences of foreign countries, all of which is playing a positive role in the construction of the socialist modernization of our country.

Over the past 6 years, our country has achieved marked success in absorbing foreign funds to establish foreign-invested enterprises. The main reasons are: 1) The relevant departments and regions of our country have implemented our country's policy of opening up to the world and invigorating the domestic economy, and have consistently carried out the principle of equality and mutual benefit so that both China and foreign investors can make a profit by inviting foreign funds to establish enterprises. 2) Our country has gradually formulated and perfected the laws and regulations concerning the use of foreign capital so that the establishment and operation of foreign-invested enterprises can be protected and controlled by law. There are laws to go by and regulations to observe. 3) According to the demands of the development of our country's national economy, our country has properly readjusted and relaxed some of the policies regarding foreign businessmen investing in and establishing enterprises in China so as to arouse foreign businessmen's enthusiasm for establishing enterprises in China. 4) According to the actual needs of establishing foreign-invested enterprises, we have tried our best to improve the investment environment and provide various conveniences and good services for the foreign businessmen who come to invest in China. 5) Through various contacts, foreign investors have acquired a further understanding of the situation in our country and our country's policy of opening up so that they can cast away their doubts and worries and become more willing to invest in China. The broad masses of Hong Kong and Macao compatriots and Overseas Chinese who cherish deep feelings for their motherland and native areas have been very enthusiastic about investing in their motherland.

To use foreign funds and attract foreign businessmen to come to China to establish joint ventures, cooperative enterprises, and enterprises with exclusive foreign investment is a beneficial and necessary supplement to our country's socialist economy. I believe that along with the in-depth development of the construction of the four modernizations, China will certainly attract more foreign funds and establish more foreign-invested enterprises. The prospects are very broad and bright.

#### Increase the Economic Results of Foreign-Invested Enterprises

Over the past 2 years, our country's rate of absorbing direct foreign investment to establish enterprises has been very rapid. In 1984, our country formally signed agreements on establishing 1,856 foreign-invested enterprises with a total of US\$2.59 billion of contracted investment and a total of US\$0.735 billion of actual expenditure, an increase of 311 percent, 254 percent, and 114 percent, respectively, as compared with the figures of 1983. In 1985, our country formally signed agreements on establishing 2,960 foreign-invested enterprises with a total of US\$5.491 billion of contracted investment and a total of US\$1.042 billion of actual expenditure, an increase of 59.5 percent, 112 percent and 41.8 percent over the figures in 1984. As far as the present situation is concerned, this momentum will continue. Along with the rapid development of the foreign-invested enterprises, it is more and more important to increase the economic results of these enterprises. This is the issue with which both China and foreign investors are concerned.

The economic results of the foreign-invested enterprises consist of two aspects: One is the enterprise microeconomic results. As far as the microeconomic results are concerned, the main purpose of the foreign investors who come to China to make investment and establish enterprises is to enable their capital to increase in value, and to make a profit.

If the foreign-invested enterprises can not earn a profit for the foreign investors, they will not come to make investments. Even if they come, the cooperation between the two sides will not last long. Although China wants to make use of foreign funds to counteract her shortage of construction funds and wants to import advanced foreign science and technology and management and administrative experiences, one of China's main purposes in establishing foreign-invested enterprises is to make a profit. Making a profit is not only a requirement for the continued existence and development of Chinese investors, but is also the basis for the cooperation between Chinese and foreign investors.

Thus, making a profit is both the motivating force for the establishment, operation, and production of the foreign-invested enterprises, and the main aspect of the microeconomic results of the foreign-invested enterprises. As far as the macroeconomic results are concerned, when approving the establishment of foreign-invested enterprises, the state not only demands that these enterprises make profits and achieve better microeconomic results, but also demands that these enterprises contribute to rationalization of our production structure and product structure, our technological transformation and program of the present enterprises, and our export and foreign exchange earnings, to push forward with the realization of the general goals of socialist economic construction. This is both the main purpose of our country's establishment of foreign-invested enterprises and the main aspect of the macroeconomic results of these enterprises. Generally speaking, the microeconomic and macroeconomic results of the foreign-invested enterprises conform with each other. For example, if the foreign-invested enterprises operate well and make a lot of profits, they will be able to turn over more taxes to the state and increase the state's financial income.

The proper selection of projects will be beneficial to the rationalization of our production structure and product structure, the technological transformation of existing enterprises, the expansion of export products and the increase of foreign exchange expenditure so as to push forward to realize the general goal of our country's economic construction. Meanwhile, the gradual rationalization of the general goals of economic construction for different periods will help to create a better investment environment for establishing the foreign-invested enterprises and provide better conditions for the production and operations of the foreign-invested enterprises, and enable these enterprises to make more profits and achieve more microeconomic results.

However, we must also admit that under certain circumstances, the microeconomic and macroeconomic results of foreign-invested enterprises might not conform with each other or might even contradict each other. For example, although some projects can achieve good microeconomic results and make a lot of profits, they can not bring in advanced technology and management experiences, but instead need to use a lot of the state's foreign exchange for a long time to import assembly parts for processing and assembling. Establishing more such enterprises will be detrimental to the rationalization of our country's production structure and product structure, the increase of our country's foreign exchange earnings, and the reduction of our country's foreign exchange earnings, and the reduction of our country's foreign exchange expenditure.

From this we can see that in establishing the foreign-invested enterprises, we must not only pay attention to the microeconomic results of the enterprises so as to enable the enterprises to make profits, but also pay attention to the social macroeconomic results of the enterprises so as to enable the production and operations of the foreign-invested enterprises to conform with the needs of the general goal of our country's economic construction. In order to realize this, we need both state guidance and the cooperation and joint efforts of both Chinese and foreign investors.

#### Correctly Grasp the Orientation and Stress of Investment

To correctly grasp the orientation and stress of investment is the prerequisite for increasing the economic results of the foreign-invested enterprises.

In order to correctly grasp the orientation and stress of the investment of the foreign-invested enterprises, we should first have the correct state guidance. According to the needs of the economic construction of their own respective departments and regions, over the past few years, the relevant departments and regions have, at regular or irregular intervals, promulgated some lists of projects indicating where foreign investors can establish enterprises with their own investment. These lists of projects have been playing a positive role in guiding foreign investment, preventing some blindness in action, carrying out the planned import of foreign capital, and increasing the microeconomic and macroeconomic results of the foreign-invested enterprises.

However, because of the rapid development of the foreign-invested enterprises, it is obvious that the lists of projects promulgated by the relevant departments and regions of our country according to their own respective situations can no longer meet the needs of the new situation. For example, some areas have developed such blindness and have repeatedly imported the same kind of production equipment. It is now necessary for the state to make an overall plan for establishing, for foreign-invested enterprises, according to the needs of the overall situation, and promulgate, at regular or irregular intervals, the lists of projects whose establishment should either be encouraged, restricted, or banned. As far as I know, this work is now underway. Considering the actual needs of our country's present economic construction and our practical experiences of establishing foreign-invested enterprises over the past 6 years, for a period in the future, the projects encouraged by the state can generally be divided into the following types:

1. The projects which can help to bring in advanced foreign technology and crafts and produce the urgently-needed new products, new equipment, and new materials, and the type of new products, new equipment, and new materials which our country cannot produce at present, such as some mechanical and electronic products, key components, spare parts, and new building materials;
2. The production projects which require a large amount of investment and advanced technology for development and construction, and which can help to carry out the technological transformation of our country's present enterprises, such as the projects concerning the development of resources urgently needed by the state and the projects concerning the technological transformation of large and important enterprises, and
3. The projects which can help develop new products for export, whose products are wholly or mostly exported, and which can help our country to open up the international market and earn more foreign exchange.



For a period in the future, the projects restricted by the state can be divided into the following types:

1. The projects which will import the advanced technology which foreign countries have already imported, for which production output is at a surplus or almost a surplus level, or whose products cannot be wholly exported, such as the assembly lines of color televisions and refrigerators and the assembly lines of some other household electrical appliances;
2. The projects which can neither bring in advanced production and management technology nor export their products to earn foreign exchange, such as the projects concerning the enlargement and development of color photographs and the projects concerning the exportation of small automobiles; and
3. The projects whose export product is limited by quotas, such as the projects concerning the production of cotton and flax textiles clothes processing, and so on.

There are a limited number of projects banned by the state. These projects are mainly:

1. The projects which will infringe on China's sovereignty and national security;
2. The projects which violate China's laws;
3. The projects which do not conform with the needs of the development of our country's national economy, such as the projects which rely only on the import of assembly lines or component parts for assembling and then sell their products on the domestic market to make a profit from the difference in prices on the foreign and domestic markets; and
4. The projects which cause environmental pollution.

In the future, while promulgating the lists of projects whose establishment should either be encouraged, restricted, or banned, the state should also adopt some economic measures to indirectly control the foreign-invested enterprises. For example, as far as the projects encouraged by the state are concerned, when approved by the relevant responsible departments of the state, we can provide one or more special or preferential treatments in such aspects as revenue and credit, foreign exchange balance, production instead of importation (namely, import substitutes), the extension of the term for joint investment, and some other aspects, for the projects encouraged by the state, so as to attract more foreign investors to invest in these projects. Meanwhile, the state can also adopt some measures which contradict the preferential treatments mentioned above when dealing with the enterprises restricted by the state.

Only when the foreign investors have grasped the correct investment orientation when making investment in China and only when the foreign investment conforms with the interests of both the Chinese and foreign investors can the foreign-invested enterprises develop rapidly and have bright prospects.

#### PLA TO ADOPT WESTERN-STYLE MILITARY UNIFORMS

HK220509 Hong Kong WEN WEI PO in Chinese 22 Apr 86 p 2

[Report: "China's Army-men to Wear Western-Style Uniforms"]

[Text] According to a dispatch from Shanghai, China will change its present military uniforms. It is expected that as of 1987, the present military uniforms will be changed into Western-style uniforms with epaulets and tie, and the material of the uniforms will also be better than that used at present.

**END OF**

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**DATE FILMED**

29 April 86

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21